



REPORT ON VACANT POSITIONS: DETAIL ON 29 DEPARTMENTS MAY 2000

This report provides the details on vacant positions in the 29 large State departments that were reviewed by the Department of Finance from January through April, 2000. This report also contains our initial observations and recommendations for each of the 29 departments that are being submitted with the May Revision of the Governor's Budget. We are deferring making recommendations on departments headed by constitutional officers and will work with them during the fall budget process to determine if any vacant positions should be eliminated. Our general findings on vacancies in State government are summarized in a companion document, *Report on Vacant Positions, May 2000*.

In the sections below, we describe the information contained in the departmental reports that follow. The first section, "Data Sources," describes the sources of data we used for our analysis and how we adjusted the data for some years to present a more accurate picture of vacancies and salaries and wages savings. The remaining sections describe the methodology we used to calculate the factors we used to analyze departmental vacancies and salaries and wages savings, or they describe the types of information contained in the departmental reports. With the exception of the first section, the section headings correspond to the section headings that appear in each of the departmental reports.

Data Sources. Data for the 10-year history tables are based on a comparison of each department's budgeted expenditures and positions for the specific fiscal year with its actual expenditures and positions for the same fiscal year. The budgeted amounts are taken from the current-year columns of the Governor's Budget. It is important to realize that the current-year amounts that appear in the Governor's Budget reflect point-in-time estimates. Because the current-year amounts do not reflect adjustments occurring in the second half of the year, such as deficiency appropriations, other augmentations (e.g., appropriations made in chaptered legislation), May Revision adjustments and reductions in positions and funding due to revenues (primarily federal funds and reimbursements) that did not materialize, this comparison can sometimes be misleading. In addition, the current-year figures may reflect projected savings that do not materialize.

To a limited extent, we attempted to correct for this. We adjusted the current-year figures appearing in the Governor's Budgets for May Revision changes in the following departments: Employment Development Department (1995-96 through 1998-99), California Department of Corrections (1990-91 through 1998-99) and California Youth Authority (1997-98 and 1998-99). In addition, we adjusted the current-year data for 1997-98 and 1998-99 to account for changes that materially increased departments' expenditures. It was critical to adjust for increases in expenditure authority because otherwise departments would

incorrectly appear to have overspent their authority. However, we did not adjust the data for funding shortfalls, i.e., funds that did not materialize. The result is that in some cases, departmental savings, vacancies and excess vacancies are overstated. However, where funding shortfalls were significant, we addressed their effects in the narrative.

Vacancy/Salary Savings Experience. Each department receives a funding allocation for its authorized positions that is reduced by a specific percentage that varies from department to department. This percentage is called the “budgeted salary savings rate” and is intended to reflect the percentage of authorized salaries and wages that will not be spent because some of the department’s positions are vacant for part of the year due to normal employee turnover and hiring delays. Departments are required to assign a position-equivalent to the amount of budgeted salary savings. These budgeted salary savings positions are reduced from the department’s authorized positions in its Summary by Object display in the Governor’s Budget. They are intended to represent the number of full-time-equivalent positions the department expects to have vacant throughout the year as a result of normal turnover. In practice, however, these positions are the number of vacancies a department must achieve to meet its budgeted salary savings requirement and thereby stay within its salaries and wages budget.

As used in this report, “excess vacancies” are defined to be a department’s vacant positions in excess of the number of vacancies needed to meet its budgeted salary savings requirement, and “excess salaries and wages savings” are salaries and wages savings that are achieved by a department over and above its budgeted salary savings requirement. The “excess vacancy rate” and the “excess salaries and wages savings rate” displayed in the tables are computed by dividing the department’s excess vacancies by its total authorized positions and by dividing the department’s excess salaries and wages by its total authorized salaries and wages (i.e., before the budgeted salaries and wages are subtracted).

Changes Since 1998-99. In some cases, positions that were vacant during 1998-99 already have been filled or eliminated, or proposed to be eliminated in the 2000-01 Governor’s Budget. This section contains information provided by departments on filled and eliminated vacant positions. In the case of eliminated positions, we attempted to verify that the positions have been eliminated by associating the positions with those shown as abolished in the department’s Changes in Authorized Positions in the 1999-00 and 2000-01 Governor’s Budgets, with positions reduced through the 1999-00 Change Book, or with positions shown as expiring in the 2000-01 Supplemental Schedule of Salaries and Wages. For positions departments indicated had been filled, we attempted to verify the department’s claim. In some cases, we were able to do so, but in other cases we were unable to do so.

Analysis of Vacancies and Savings. This section reconciles the difference between a department’s excess vacancy rate and its excess salaries and wages savings rate by identifying the factors that affect the salaries and wages savings available to departments from their vacant positions. Displayed on the first line of the table that appears in this section of the departmental reports are the savings generated by the vacant positions, which

are computed as follows. We calculated the cost per personnel year (PY) budgeted by dividing the department's net authorized salaries and wages by its net authorized PYs. This amount was multiplied by the number of excess vacancies. The resulting amount is the savings generated by the PYs that are vacant. These savings are then offset in the table by various costs or augmented by additional savings, as discussed below, to indicate how a department has used its excess salaries and wages savings.

In most departments, the average cost per filled position is greater than the average budgeted cost per position. Consequently, most departments must use some of their excess salary savings to pay for the difference between what they budget per employee and what they actually pay those employees. This offsets part of the savings generated by the vacant positions. As noted in the summary report, *Report on Vacant Positions, May 2000*, there are many reasons for departments' actual cost per position exceeding their budgeted cost per position. These include departments' filling vacant positions above the bottom step of the pay scale, increasing the classification levels (i.e., the salaries) of some positions without decreasing the classification levels of other positions by enough to achieve fiscal neutrality, and paying required lump-sum payments (for accrued vacation and annual leave and some disability entitlements) to separating employees.

To determine a department's excess cost (i.e., the cost in excess of what is budgeted) of filling authorized positions, we subtracted its budgeted cost per PY from its actual cost per PY filled and multiplied the remainder by the number of PYs filled. This total excess cost was then divided by the cost per PY budgeted to determine the equivalent number of PYs that needed to be held vacant to pay this additional cost. The equivalent number of PYs was subtracted from the number of excess vacancies, because the funding for these PYs was being utilized for other salaries and was unavailable for filling these PYs. In some cases, however, the cost per PY filled was less than the cost per PY budgeted. This lower cost added to the savings that departments realized from excess vacancies alone. However, these savings did not provide departments with additional position authority, and so they were not converted to an equivalent number of PYs.

Most departments exceed their overtime allotments, which also offsets the savings generated by excess vacancies. Many departments over-spend their overtime budgets because they are unable to hire enough employees to perform necessary workload. The dollars spent on unbudgeted overtime were divided by the cost per PY budgeted to determine the equivalent number of positions that were vacant to pay for the additional overtime. These PY-equivalents were displayed in the table and subtracted from the excess vacancies. However, some departments do not spend all their budgeted overtime, producing additional salaries and wages savings. In the table, these savings were added to the savings from the vacant positions but, because these savings do not increase a department's position authority, we did not associate PY-equivalents with them.

In some cases, departments shifted some of the dollars resulting from vacant positions to their operating expenses and equipment (OE&E) budget. The dollars shifted to OE&E were divided by the cost per PY budgeted to determine the equivalent number of positions that

were vacant to pay for these OE&E costs.¹ The PY equivalents were then subtracted from the excess vacant PYs to produce the “Net Adjusted Vacancies” total. In other cases, departments shifted funds from their OE&E budgets to their salaries and wages budgets. In these cases, the departments appear to have over-spent the amount they budgeted for salaries and wages.

In a few instances, departments used some of the dollars resulting from vacant positions to fund contract expenses for consultant and professional services, essentially buying personnel years through their OE&E budgets. In most cases, departments reported the number of vacant PYs that were filled by means of personal services contracts. In some cases, the dollars shifted to personal services contracts from salaries and wages were divided by the cost per PY budgeted to determine the equivalent number of positions that were vacant to pay for these contract services. The PY equivalents were then subtracted from the excess vacant PYs to produce the “Net Adjusted Vacancies” total.

Vacancies Due to Funding Shortfalls. In this section, we present the number of PYs that were vacant because funding for the positions did not materialize. Again, it is important to understand that a department’s authorized positions, as reflected in the Governor’s Budget, are based on a point-in-time estimate of workload and the amount of revenue that will be forthcoming from a number of sources. Often, revenue that is anticipated when the State budget is enacted fails to materialize at the expected level. When this occurs, departments have insufficient revenue to support all their authorized positions and will hold the unfunded positions vacant. In nearly all cases, funding shortfalls of this type are reimbursements and federal funds that are not received by departments. The number of PYs associated with revenue shortfalls was determined either by using the number of budgeted positions reported to us (with accompanying detail) by departments and adjusted for budgeted salary savings, or by estimating the number of PYs by dividing the department’s salaries and wages shortfall by its average cost per PY.

Hard-to-Fill Positions. This section reports the number of excess vacancies in 1998-99 that were in hard-to-fill classifications. This number generally is based on the number of vacant positions reported by the department to be in its hard-to-fill classifications, minus the number of vacancies in those classifications that can be attributed to normal salary savings. The number of vacant positions attributed to normal salary savings is calculated by multiplying the department’s budgeted salary savings rate for 1998-99 by the total number of positions in the classifications determined to be hard to fill. In some cases, we reduced the department’s reported number of hard-to-fill positions because some classifications reported by the department were not considered hard to fill by the Department of Personnel Administration’s classification analyst who is familiar with the department’s situation.

¹ In the table that displays the uses of the department’s excess salaries and wages savings, we have labeled this row, “Vacant to Cover OE&E Costs.” We are unable to distinguish between shifts in funds from salaries and wages to OE&E that are made to cover ongoing shortfalls in the department’s OE&E budget caused by lack of adjustments for price increases and those that are made to purchase items of expense that have not been reviewed and approved by the Legislature.

New Position Growth. This section summarizes the department's growth in positions between 1989-90 and 1998-99. Specific program information presented in this section was provided by departments.

Hiring Freezes. This section contains information provided by departments regarding hiring freezes in effect during the 1990s.

Use of Vacant Position Savings. This section examines whether the savings from vacant positions were reverted or used for other purposes. In some cases there was a shortfall in one area of expenditure, but the savings in areas other than salaries and wages were so large that we could not determine if the shortfall was covered by the vacancy savings or by other savings. Some departments reported that they were forced to hold positions vacant to cover shortfalls in operating expenses due to lack of budget adjustments for price increases. In such cases, if there was a shortfall in operating expenses and equipment that was clearly covered by the salaries and wages of vacant positions, the vacancy savings were offset by this amount, and an equivalent number of PYs was determined.

To the extent that savings are overstated due to funds that did not materialize, savings in the various expenditure areas may also be overstated, and the department's true fiscal situation may not be readily apparent. We addressed this issue with narrative explanations of what the real savings were without these funds.

Savings by Fund Source. Spending from each fund source that was less than the budgeted amount is shown as "savings." The budgeted amount used for this analysis was the adjusted expenditure total that resulted from the corrections we made to departments' 1998-99 budget authorizations, as discussed under "Data Sources," above. In some cases, reimbursements, some federal funds and some other funds did not materialize at the levels that were budgeted and were not available as savings to the department. Thus, savings are overstated by these amounts. Again, we addressed this in the narrative.

Consequences of Excess Vacancies. This section contains information provided by departments on the impact of excess vacancies during the 1990s on their operations.

Expected Future Vacancy Trends. This section contains information provided by departments on the likely changes in their vacancies in the future and the reasons departments expect the number of vacancies to increase, decrease or remain the same.

1998-99 Vacancies by Program Area. This section contains information provided by departments on vacancies by program area, as requested by Subcommittee Number 5 of the Senate Budget and Fiscal Review Committee. Although we asked departments to provide information on the average number of vacancies over the entire 1998-99 fiscal year, some departments provided vacancies as of a point in time or as of several points in time. For those departments, the table of vacancies by program refers to the department's total vacancies, including positions held vacant for salary savings purposes. For other departments, the table of vacancies by program refers to the department's excess vacancies.

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DEPARTMENT OF JUSTICE

Recommendations

- Redirect 144.1 of the 166.6 positions held vacant in 1998-99 to cover the increased cost of filled positions. The redirected positions are for three budget change proposals that are being submitted with the May Revision of the 2000-01 Governor's Budget.
- Continue to work with the Department of Justice (DOJ) during the fall budget process to eliminate the remaining excess vacancies.

Initial Findings

- The 166.6 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Most or all of the 69.2 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DOJ's use of excess overtime has amounted to 20-70 vacant positions, averaging 43 vacant positions per year.
- The 64.6 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- By the May Revision, determine if the funding shortfalls that resulted in 107.3 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The DOJ should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases and DOJ's increased recruitment activity. These positions accounted for 181 excess vacancies in 1998-99.

Background

Vacancy/Salary Savings Experience. As shown in the table below, during the 1990s, the DOJ's total vacancy rate ranged from a low of 8.5 percent to more than 18 percent. In the last two years, the rate was over 15 percent. With the exception of 1989-90, the DOJ's excess vacancy rate has been consistently high, averaging nearly 9.2 percent. As a result, the DOJ under-spent its salaries and wages authorization in the last nine years by an average of \$8.8 million, or 4.5 percent of its authorization.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	3,992.8	338.2	8.5%	-16.5	-0.4%	-\$3,002	-1.9%
90-91	4,435.5	780.7	17.6%	238.6	5.4%	\$2,233	1.2%
91-92	4,264.3	609.2	14.3%	323.6	7.6%	\$7,812	4.3%
92-93	4,016.3	555.1	13.8%	322.2	8.0%	\$14,375	8.5%
93-94	3,952.9	463.0	11.7%	265.4	6.7%	\$2,097	1.2%
94-95	4,390.9	793.4	18.1%	573.9	13.1%	\$11,176	5.5%
95-96	4,555.3	644.0	14.1%	416.2	9.1%	\$4,288	2.0%
96-97	4,595.9	619.7	13.5%	390.2	8.5%	\$7,835	3.5%
97-98	5,052.6	775.2	15.3%	456.4	9.0%	\$17,923	7.5%
98-99	5,269.5	835.4	15.9%	544.7	10.3%	\$14,324	5.6%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 544.7 excess vacancies generated \$25.3 million in salaries and wages savings, which were offset by \$7.7 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$3.2 million for excess overtime. Also, 64.6 PYs were vacant to cover the \$3 million of operating expenses and equipment costs. The net result is a savings of \$11.3 million in salaries and wages, which is equivalent to 244.1 PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	544.7	\$25,279
Higher/Lower Cost of Filled Positions	-166.8	-7,743
Overtime	-69.2	-3,212
Subtotal, Salaries and Wages	308.7	\$14,324
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-64.6	-3,011
Net Adjusted Vacancies	244.1	\$11,313

Vacancies Due to Funding Shortfalls. Based on information provided by the DOJ, an estimated 106.7 PYs were vacant because of federal funds (65.7 PYs) and reimbursements (41 PYs) that did not materialize.

Hard-to-Fill Positions. The DOJ reported that its inability to fill certain classifications causes a serious impact on the DOJ's ability to accomplish its mission. In particular, the DOJ is having difficulty recruiting, hiring and retaining Special Agents, in part, because a newly created function in the Department of Corrections allows CDC to pay a higher salary

to similar classifications, thereby attracting experienced DOJ agents. In addition, the DOJ reported difficulty in retaining Criminalists in its forensic laboratories and legal secretaries outside Sacramento due to higher salaries being paid by local agencies and the private sector. The DOJ reported that it had 256.9 excess vacancies in its hard-to-fill classifications during 1998-99. However, only 181 of those vacancies are in classifications for which the Department of Personnel Administration (DPA) indicates there are known retention and recruitment problems or for which DPA has undertaken a formal salary or classification study.

New Position Growth. The DOJ experienced substantial growth in positions between 1989-90 and 1998-99. The DOJ grew by 1,276.7 authorized positions, or nearly 32 percent in ten years, with all of this growth occurring in the past five years. More than 670 positions (12.8 percent) were added in the last two years. Major additions included: the California Methamphetamine Strategy (138 PYs), the statewide Integrated Narcotics System (60 PYs), Tobacco Litigation (115.3 PYs), Replace Outside Counsel (75 PYs) and Federal Habeas Corpus (61.4 PYs).

Hiring Freezes. The DOJ did not impose any internal hiring freezes during the ten-year period but followed the executive orders from the Governor to freeze hiring in the early 1990s.

Use of Vacant Position Savings. The DOJ had savings of \$16.7 million in 1998-99. However, after accounting for the \$10.3 million in federal funds and reimbursements that did not materialize, real savings were \$6.3 million, including savings of \$9.4 million in salaries and wages and savings of \$4 million in staff benefits. The DOJ overspent its operating expenses and equipment budget by \$7 million, and about \$3 million of the salaries and wages savings was used to cover this expenditure.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$16,669	\$14,324	\$5,213	\$-2,855	\$-13

Savings by Fund Source. Of the \$16.7 million in savings, \$5.3 million were in the General Fund and \$1.0 million were in other funds. Of the \$10.3 million in federal funds and reimbursements that did not materialize, about \$5 million was in salaries and wages and \$4.1 million in operating expenses and equipment.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$16,669	\$5,324	\$6,037	\$4,284	\$1,024

Consequences of Excess Vacancies. The DOJ reported that the General Fund reductions and subsequent denials of cost of living increases in operating expenses and equipment category has totally reduced its flexibility. Because facility costs are unbudgeted and existing facility leases are subject to inflation, without additional funding, the DOJ is hampered in its ability to form new task forces with local jurisdictions to work on specific problems. Also, the DOJ stated it could not fill every Special Agent and Criminalist position and keep its fleet of over 900 vehicles in operation with gasoline prices nearing \$2.00 per gallon. Additionally, General Fund reductions have resulted in unacceptable backlogs to its legal clients and criminal justice agencies.

Expected Future Vacancy Trends. The DOJ reported it has no reason to believe that its future salary savings experience will be any different from its past experience but decisions outside the control of the DOJ not to fund merit salary increases and pay differentials will result in gradually higher salary savings. The DOJ also reported that it expects to end the current fiscal year with approximately 550 vacant positions, down from the 835 vacant positions for 1998-99. It noted a number of actions it was taking to examine existing work functions and to fill or eliminate positions as needed.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
Directorate/Administration	156.6
Exec Programs	-10.0*
Civil Law	128.8
Criminal Law	56.5
Public Rights	29.4
DLE	190.0
DCJIS	266.9
Gambling	17.1
TOTAL	835.3

* The department's actual personnel years exceeded the budgeted number of personnel years for this program.

STATE CONTROLLER'S OFFICE

Recommendations

- We are not recommending position reductions at this time. However, the Department of Finance should re-examine the State Controller's Office's (SCO's) vacant positions during the fall budget process.

Background

Vacancy/Salary Savings Experience. As shown in the table below, the SCO's total vacancy rate varied from 7.9 percent in 1989-90 to 16.9 percent in 1998-99. In the last four years, the rate averaged 14.9 percent. At the same time, the SCO's excess vacancy rate averaged 8.4 percent. During this four-year period, the SCO under-spent its salaries and wages authorization by an average \$3.8 million or 6.6 percent of its authorization.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	1,506.6	118.9	7.9%	42.6	2.8%	\$712	1.4%
90-91	1,480.0	124.9	8.4%	50.9	3.4%	\$1,575	2.9%
91-92	1,507.0	220.9	14.7%	144.3	9.6%	\$6,193	10.6%
92-93	1,433.5	174.9	12.2%	103.2	7.2%	\$2,540	4.8%
93-94	1,443.5	132.1	9.2%	59.5	4.1%	\$3,100	5.4%
94-95	1,429.5	121.7	8.5%	50.3	3.5%	\$488	0.8%
95-96	1,408.0	177.8	12.6%	107.4	7.6%	\$3,949	6.6%
96-97	1,329.0	199.6	15.0%	133.1	10.0%	\$4,845	8.6%
97-98	1,270.5	190.3	15.0%	97.4	7.7%	\$3,140	5.8%
98-99	1,267.0	213.8	16.9%	106.8	8.4%	\$3,079	5.6%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The SCO has eliminated 52.2 excess vacancies by redirecting these vacant positions to new budget change proposals that have been approved for 2000-01.

Analysis of Vacancies and Savings. In 1998-99, the SCO's 106.8 vacant personnel years (PYs) generated \$4.6 million in salaries and wages savings, which were offset by \$1.0 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.5 million for excess overtime. Also, savings from 2.9 PYs were redirected to personal services contracts. The result was a net adjusted savings of \$2.9 million, which is equivalent to 68.3 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	106.8	\$4,615
Higher/Lower Cost of Filled Positions	-24.1	-1,040
Overtime	-11.5	-496
Subtotal, Salaries and Wages	71.2	\$3,079
Vacant for Personal Services Contracts	-2.9	-200
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	68.3	\$2,879

Vacancies Due to Funding Shortfalls. The SCO reports that 89.4 PYs were vacant because of federal funds (5.7 PYs), reimbursements (78.9 PYs), and special funds (4.8 PYs) that did not materialize.

Hard-to-Fill Positions. The SCO reported difficulties in hiring and retaining audit and information technology staff. For example, the SCO reported it experienced a vacancy rate in excess of ten percent in its Information Systems Division between July 1999 and March 2000. The SCO did not report the number of excess vacancies in these classifications.

New Position Growth. The SCO provided no information on this item.

Hiring Freezes. The SCO provided no information on this item.

Use of Vacant Position Savings. The SCO had savings of \$5.2 million in 1998-99. After accounting for the funding that did not materialize (see "Savings by Fund Source," below), the real savings were \$0.3 million. Real savings of \$1 million occurred in staff benefits, but were offset by shortfalls in the other areas. About \$0.5 million of the savings were shifted to salaries and wages and \$0.2 million to operating expenses and equipment. The SCO does not have any special items of expense or other expenses.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$5,145	\$3,079	\$2,265	\$-199	\$0

Savings by Fund Source. Of the \$5.2 million in savings, only \$0.3 million was General Fund. The remaining \$4.9 million represents funding that did not materialize, of which \$3.6 million was budgeted in salaries and wages and \$1.3 million in staff benefits.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$5,145	\$266	\$315	\$4,284	\$280

Consequences of Excess Vacancies. The SCO reported that due to staffing shortages, it was unable to undertake additional reimbursable activities.

Expected Future Vacancy Trends. The SCO reported that as of February 29, 2000 it had 196 vacancies, reflecting a vacancy rate 15.7 percent. Of this number, 74.5 positions are vacant to meet the SCO's six percent salary savings requirement and 77.5 positions are targeted for specific programs such as the Statewide Information Technology Project, the ADA audits and other programs. In addition, the SCO is actively recruiting 51.0 positions.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Accounting & Reporting	9.5
Audits	77.5
Personnel/Payroll Services	3.0
Information Services	6.0
Collections	-7.9*
Disbursements & Support	14.9
TOTAL	103.0

* The department's actual personnel years exceeded the budgeted number of personnel years for this program.

DEPARTMENT OF INSURANCE

Recommendations

- We are not recommending position reductions at this time. However, the Department of Finance should re-examine the Department of Insurance's (DOI's) vacant positions during the fall budget process.

Background

Vacancy/Salary Savings Experience. The DOI had excess vacancy rates of over 10 percent in years when it received a significant number of new positions. Thus, its vacancies were related to difficulties in filling new positions. The DOI's position authority decreased in 1992-93, 1995-96 and 1996-97. In 1996-97, the DOI went through a layoff process, and no civil service examinations were conducted. As the DOI added positions in 1997-98 and 1998-99, it took time for its recruitment function to gear up and become effective. The DOI also found that its salaries were not competitive, which created further difficulties in recruiting. Finally, 25 of its positions in 1998-99 are limited-term, which DOI claims are difficult to fill. DOI also claims that lawsuits and workers' compensation claims over the past few years have caused it to hold some positions vacant to pay for the costs.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	800.5	166.7	20.8%	126.8	15.8%	\$2,996	10.7%
90-91	837.5	93.4	11.2%	51.5	6.1%	\$941	3.0%
91-92	1,028.5	193.5	18.8%	142.0	13.8%	\$3,203	8.1%
92-93	995.5	96.1	9.7%	46.3	4.7%	\$903	2.3%
93-94	1,118.0	165.3	14.8%	109.4	9.8%	\$3,077	6.5%
94-95	1,167.5	158.1	13.5%	99.7	8.5%	\$2,200	4.2%
95-96	1,128.5	139.4	12.4%	83.5	7.4%	\$5,272	10.0%
96-97	1,055.8	134.0	12.7%	81.3	7.7%	\$2,588	4.9%
97-98	1,134.8	238.0	21.0%	181.8	16.0%	\$4,147	7.7%
98-99	1,179.8	229.9	19.5%	170.9	14.5%	\$6,027	10.6%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 170.9 excess vacancies generated \$8.2 million in savings, of which \$2.1 million was spent on the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.1 million was spent on overtime. Thus, net salaries and wages savings were \$6 million, which is equivalent to 125.4 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	170.9	\$8,219
Higher/Lower Cost of Filled Positions	-43.3	-2,084
Overtime	-2.2	-108
Subtotal, Salaries and Wages	125.4	\$6,027
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	125.4	\$6,027

Vacancies Due to Funding Shortfalls. The DOI had no vacancies due to funding shortfalls.

Hard-to-Fill Positions. The DOI reports that 72 percent of its positions are in classifications that are difficult to fill. According to the DOI, actuaries are paid twice as much in the private sector, investigators are paid more by the Department of Justice and other State law enforcement agencies. DOI also claims that Insurance Policy Officer, Insurance Rate Analyst and examiner positions are difficult to fill because employees are required to travel 80 percent of the time and can earn more in the private sector. On civil service examinations for these classifications, conducted in 1999, the DOI received significantly fewer applications than in prior years. The DOI has also had difficulty filling attorney positions. The DOI had 79.4 excess vacancies in these classifications as of January 15, 1999. The DOI has sought salary increases for some of its classifications. The Department of Personnel Administration currently is conducting a classification study for the Insurance Policy Officer and Insurance Rate Analyst classifications, and a 2.2 percent pay differential has been approved for the Associate Insurance Policy Officer classification.

New Position Growth. The DOI received 75.5 new positions in 1997-98 and 42.2 in 1998-99. As noted above, it had difficulty filling new positions, especially in 1997-98, because it was in a layoff process in 1996-97 and was not prepared for hiring.

Hiring Freezes. The DOI imposed freezes in some divisions in 1996 and 1997 due to cash flow problems and lawsuit costs.

Use of Vacant Position Savings. The DOI had savings of \$9 million in 1998-99. There was a shortfall in special items of expense/other of \$0.2 million, which could have been covered by savings from any of the other three categories.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$9,026	\$6,027	\$238	\$2,923	-\$162

Savings by Fund Source. Of the \$9 million in savings, \$8.5 million was in other funds and \$0.5 million reflects reimbursements that did not materialize. There were no General Fund savings, and the DOI does not receive any federal funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$9,026	\$0	\$0	\$516	\$8,510

Consequences of Excess Vacancies. The DOI claims that excess vacancies have affected its ability to fulfill its mission. In the Fraud Investigation Branch, the backlog of uninvestigated cases has grown. Although the Field Examination Division is minimally meeting its five-year examination schedule, examinations of underwritten title companies are more reactive than proactive. The Financial Analysis Division has been unable to perform financial reviews on the vast majority of non-domestic insurers. In 1998 and 1999, financial statements were not reviewed for 82 percent (over 1,000) of non-domestic companies.

Expected Future Vacancy Trends. The DOI expects to reduce its vacancy rates in the future due to more aggressive testing, advertising and hiring now occurring throughout the department. The DOI notes that it is slated to receive over 100 new positions in July 2000 due to new legislation, and it has intensified its efforts to ensure that the positions will be filled expeditiously. The DOI is also hopeful that pay differentials will be approved for some of its classifications.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Rate Regulation	68.5
Consumer Protection	29.5
Fraud Control	56.4
Tax Collection and Audit	0.7
Earthquake Recovery	0.7
Administration	12.7
TOTALS	168.5

BOARD OF EQUALIZATION

Recommendations

- We are not recommending position reductions at this time. Language in the 1999-00 Budget Act, which is continued in the 2000-01 Budget Bill, requires the Board of Equalization (BOE) to expeditiously fill all positions. In addition, the BOE has had increased success in recent months filling its positions due to improvements in State employee compensation.

Background

Vacancy/Salary Savings Experience. The BOE generally had low vacancy rates throughout the 1990s. Excess vacancies exceeded 100 personnel years twice in the early 1990s, and again during the last four years. BOE attributes the increased vacancies in 1992-93 to a combination of new positions and the late budget, and notes that in 1997-98 and part of 1998-99, many positions were held vacant pending completion of a workload and staffing study that affected half the department's classifications.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	3,346.9	172.4	5.2%	33.0	1.0%	\$388	0.3%
90-91	3,490.5	151.9	4.4%	3.6	0.1%	-\$1,416	-1.2%
91-92	3,676.3	347.4	9.4%	127.0	3.5%	\$2,950	2.2%
92-93	3,989.9	332.5	8.3%	142.6	3.6%	\$3,153	2.3%
93-94	4,104.3	214.4	5.2%	51.4	1.3%	-\$21	0.0%
94-95	4,103.7	198.5	4.8%	35.3	0.9%	\$198	0.1%
95-96	4,133.2	257.0	6.2%	108.7	2.6%	\$1,576	0.9%
96-97	4,088.0	286.7	7.0%	105.7	2.6%	\$2,322	1.4%
97-98	4,085.9	350.7	8.6%	173.3	4.2%	\$5,775	3.3%
98-99	4,059.6	322.0	7.9%	146.0	3.6%	\$3,114	1.8%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the BOE's 146 vacant personnel years (PYs) generated \$6.2 million in salaries and wages savings, which were offset by \$2.6 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.5 million for excess overtime. Also, savings from 19.1 PYs were redirected to personal services contracts for information technology. The net result is \$2.2 million in adjusted vacancy savings, which is equivalent to 54 vacant PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	146.0	\$6,215
Higher/Lower Cost of Filled Positions	-60.2	-2,562
Overtime	-12.7	-539
Subtotal, Salaries and Wages	73.1	\$3,114
Vacant for Personal Services Contracts	-19.1	-899
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	54.0	\$2,215

Vacancies Due to Funding Shortfalls. The BOE reports that 29.9 PYs were vacant because of federal funds (0.2 PYs) and reimbursements (29.7 PYs) that did not materialize.

Hard-to-Fill Positions. The BOE reported that it is having difficulty filling Tax Auditor, Business Tax Representative, Property Appraiser, Property Audit Appraiser, and Tax Technician positions and that it had 119 excess vacancies in those classifications during 1998-99. All classifications have known retention and recruitment problems, due to salary differentials with other employers and the high travel requirements. The BOE notes, however, that it currently is having more success in filling these positions after the approval of pay differentials as part of the recently approved collective bargaining MOU. On January 1, 2000, for example, only 55 excess vacancies existed in these classifications.

The BOE also notes that it has regional difficulties in hiring, particularly in the Bay Area. The BOE has allowed employees to telecommute when possible, to enhance job attractiveness, and has several hundred employees who telecommute.

New Position Growth. The BOE increased its position authority in the early 1990s. In 1992-93, the BOE had a net increase of 344 personnel years, including 63 auditor positions that were not funded until 1993-94. As noted above, the increase in positions and the two-month delay in enactment of the budget affected the BOE's ability to fill the positions. The BOE received another 141 new personnel years in 1993-94.

Hiring Freezes. The BOE has not imposed any internal hiring freezes.

Use of Vacant Position Savings. The BOE had \$5.2 million in savings in 1998-99. Of the \$3.1 million in salaries and wages savings, \$1.5 million is attributable to federal funds and reimbursements that did not materialize, leaving a real savings of only \$1.6 million in salaries and wages. The BOE over-spent its operating expenses and equipment budget by \$0.8 million, which reflects the funds shifted from salaries and wages for personal services contracts.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$5,192	\$3,114	\$2,886	-\$808	\$0

Savings by Fund Source. Of the \$5.2 million of savings in 1998-99, \$1.8 million reflects reimbursements that did not materialize. General Fund savings were \$2.2 million.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$5,192	\$2,200	\$31	\$1,827	\$1,134

Consequences of Excess Vacancies. The BOE reports that it has met all mandated requirements, however, excess vacancies in auditor positions throughout the last decade have resulted in annual revenues from discretionary audits being about \$2 million lower than projected.

Expected Future Vacancy Trends. The BOE expects its excess vacancy rate to decrease substantially in the future, largely due to improved compensation for employees in the form of salary increases and the restoration of Tier 1 retirement program for new employees. The BOE also notes an improved ability to hire information technology staff now that competing Y2K efforts have subsided. In its February 1, 2000, report to the Legislature (in response to Supplemental Report Language), the BOE noted a 45 percent decrease in the number of vacancies in its audits and compliance classifications from March 1999 to January 2000.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Sales and Use Taxes	120.4
Special Taxes	17.5
Property Taxes	8.1
TOTALS	146.0

DEPARTMENT OF CONSUMER AFFAIRS

Recommendations

- Eliminate 44.3 of the 52.8 positions held vacant in 1998-99 to cover the increased cost of filled positions and the excess overtime costs. The Department of Consumer Affairs (DCA) reports that it has reduced its excess vacancies by almost 100 since the end of 1998-99 and that 177.3 additional positions will be eliminated on June 30, 2000. Most of the 177.3 positions to be eliminated are limited-term positions that were held vacant in 1998-99 because of funding shortfalls or policy decisions regarding changes in the High Polluter Repair or Removal Program. In addition, most of the remaining excess vacancies were a result of the director's decision to freeze hiring until she was able to hire deputy directors to manage the DCA's programs. The hiring freeze has since been lifted, and the DCA is actively recruiting to fill most of its remaining vacant positions.

Initial Findings

- The 46.5 positions held vacant in 1998-99 to cover the increased cost of filled positions should be retained for now and re-evaluated during the fall budget process. During the four years prior to 1998-99, the DCA's filled positions cost less than the amount budgeted for those positions. Before eliminating any positions based on the DCA's 1998-99 experience, the Administration should determine if the same situation holds during 1999-00.
- The 6.3 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DCA's use of excess overtime has amounted to 6.3—24.2 vacant positions, averaging 16.6 vacant positions per year.
- By the May Revision, determine if the redirection of 21.9 positions to contract staff is recurring or temporary. If recurring, the positions can be eliminated and the funding for the positions redirected to operating expenses.
- The DCA should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 24.1 excess vacancies in 1998-99.
- After the above reductions are accounted for, there remain 325.5 excess vacancies from 1998-99. The DCA indicates that 161.9 of these excess vacancies will be eliminated on June 30, 2000, which leaves 163.6 excess vacancies for the 2000-01 fiscal year. By the May Revision, some part of these remaining 163.6 excess vacancies and the funding associated with those positions should be considered for elimination. However, the effects of such a reduction on individual boards should be considered before the reductions are made.

Background

Vacancy/Salary Savings Experience. From 1989-90 through 1998-99, the DCA experienced substantial fluctuations in vacancy and salaries and wages savings rates. The lowest vacancy rate occurred in 1994-95, when the DCA exceeded its personnel year (PY) authority by 2.6 percent, and the highest was in 1998-99, when the excess vacancy rate was 13.4 percent. The excess salaries and wages savings rate ranged from a low of 0.7 percent in 1995-96 to a high of 11.7 percent in 1998-99.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	2,144.8	211.6	9.9%	121.1	5.6%	\$3,253	4.7%
90-91	2,298.0	341.6	14.9%	245.7	10.7%	\$7,433	9.5%
91-92	2,446.8	122.3	5.0%	17.0	0.7%	\$1,676	1.9%
92-93	2,585.3	442.9	17.1%	333.5	12.9%	\$5,814	6.5%
93-94	2,507.1	301.1	12.0%	188.1	7.5%	\$5,464	5.8%
94-95	2,551.3	49.1	1.9%	-65.3	-2.6%	\$1,333	1.3%
95-96	2,659.3	86.4	3.2%	-33.6	-1.3%	\$709	0.7%
96-97	2,799.0	161.8	5.8%	64.1	2.3%	\$2,980	2.7%
97-98	2,846.8	203.9	7.2%	100.8	3.5%	\$4,087	3.6%
98-99	3,167.9	538.9	17.0%	424.3	13.4%	\$15,004	11.7%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. A total of 177.3 excess vacancies will be reduced as of June 30, 2000, due to expiration of limited-term positions and the abolishment of other vacant positions. The total includes 72.3 PYs from the Bureau of Private Postsecondary and Vocational Education (BPPVE), 51.1 PYs from the Bureau of Automotive Repair (BAR) operations, 30 PYs from the High Emission and Polluter Removal Account, 11.1 PYs from various boards and 13.3 PYs from bureau administration.

Analysis of Vacancies and Savings. In 1998-99, the 424.3 excess vacancies generated \$17.1 million, of which \$1.9 million was spent on the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.3 million on excess overtime. Also, savings from 21.9 PYs were redirected to personal services contracts. The net salaries and wages savings were \$13.7 million, which is equivalent to 349.6 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	424.3	\$17,139
Higher/Lower Cost of Filled Positions	-46.5	-1,879
Overtime	-6.3	-256
Subtotal, Salaries and Wages	371.5	\$15,004
Vacant for Personal Services Contracts	-21.9	-1,300
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	349.6	\$13,704

Vacancies Due to Funding Shortfalls. The DCA had 72.3 excess vacancies due to funding (reimbursement) shortfalls in the BPPVE in 1998-99.

Hard-to-Fill Positions. The DCA identified two classes with significant recruitment and retention problems: Information Technology and the Board of Pharmacy's Inspector classifications. The DCA reported that approximately 100 positions are included in these two classes and they equate to about three percent of the DCA's total positions. During 1998-99, these classifications accounted for 24.1 excess vacancies.

New Position Growth. In the nine-year period between 1989-90 and 1998-99, DCA's authorized personnel years increased by 999. The largest increase occurred in 1998-99 when 309.5 positions were added, including 192 positions for the BAR and 75 positions for the BPPVE.

Hiring Freezes. In addition to the statewide hiring freezes imposed by Governor's Executive Orders, DCA imposed two internal freezes. The first occurred from April 1995 to June 1995, affecting about 1,500 positions but excluding all boards, commissions and committees. The second internal freeze occurred from October 1997 to September 1999. This freeze also excluded all boards, commissions and committees as well as the BPPVE and the Barber/Cosmology Bureau and other positions involved in board-only workload. The DCA did not provide data to show the impact of the latest hiring freeze on 1998-99 vacancies.

Use of Vacant Position Savings. The DCA had total savings of \$75.1 million. No shortfalls occurred in any category.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$75,130	\$15,004	\$3,684	\$56,442	\$0

Savings by Fund Source. All savings occurred in other funds. There were no General Fund savings. (The DCA received only \$759,000 from the General Fund during 1998-99.)

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$75,130	\$0	\$0	\$0	\$75,130

3

Consequences of Excess Vacancies. The DCA reported that only the BAR and the BPPVE had excess salaries and wages savings during the past two years. In both cases, funding instability caused positions to be held vacant.

Expected Future Vacancy Trends. The DCA anticipates a significant reduction in future vacancy trends due to the June 30, 2000, elimination of 177.3 vacant PYs, the recent salary increases that are making it easier to recruit, and the lifting of its internal hiring freeze in September 1999.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
1111 All Bureaus/Divisions	332.1
1120 Accountancy	-1.1*
1130 Architect	8.7
1130 Landscape	1.1
1140 Athletic	5.5
1170 Behavioral Science	2.9
1230 Contractors	33.7
1360 Dental Board	6.2
1370 Dental Auxiliary	1.0
1340 Geology	2.3
1350 Guide Dogs	0.0
1390 Medical Board of California	15.2
1400 Acupuncture	0.2
1410 Hearing Aid	0.8
1420 Physical Therapy	0.3
1430 Physician Assistant	-0.3*
1440 Podiatry	-0.3*
1450 Psychology	-2.2*
1455 Respiratory Care	0.7
1460 Speech	-0.3*
1480 Optometry	-1.0*
1490 Pharmacy	5.8
1500 Engineers	2.0
1510 Registered Nursing	5.4
1520 Court Reporters	-0.3*
1530 Structural Pest	-0.7*
1560 veterinary Medicine	-0.3*
1590 Vocational Nurse	6.1
1600 Psych Tech	0.8
TOTALS	424.3

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

FRANCHISE TAX BOARD

Recommendations

- We are not recommending position reductions at this time. Budget Act language in the 1999-00 Budget Act, which is continued in the 2000-01 Budget Bill, requires the Franchise Tax Board (FTB) to expeditiously fill all positions. Further, the FTB eliminated 19.1 excess vacancies from 1998-99 (See “Changes Since 1998-99,” below).

Background

Vacancy/Salary Savings Experience. The FTB generally had low vacancy rates throughout the 1990s, though rates were lower in the later years than in the earlier years. During the last two years, vacancy rates have increased slightly, though the excess vacancy rates of 2.6 percent in 1997-98 and 1.5 percent in 1998-99 are still very low compared to the statewide average.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	3,935.0	30.8	0.8%	-96.3	-2.4%	-\$1,903	-1.7%
90-91	4,366.1	325.2	7.4%	165.2	3.8%	\$1,565	1.2%
91-92	4,431.9	400.3	9.0%	121.2	2.7%	\$1,087	0.8%
92-93	4,607.9	431.4	9.4%	272.2	5.9%	\$2,705	1.9%
93-94	4,807.4	319.0	6.6%	144.6	3.0%	\$594	0.4%
94-95	4,969.7	109.2	2.2%	-95.8	-1.9%	-\$2,738	-1.6%
95-96	5,239.5	329.4	6.3%	24.9	0.5%	-\$4,254	-2.3%
96-97	5,307.8	264.0	5.0%	8.2	0.2%	\$602	0.3%
97-98	5,488.0	405.3	7.4%	140.6	2.6%	\$5,542	2.7%
98-99	5,587.2	330.6	5.9%	84.8	1.5%	\$5,314	2.5%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. There were 19.1 excess vacancies, resulting from reimbursements that did not materialize, which were eliminated at the end of 1998-99 because they were continuously vacant.

Analysis of Vacancies and Savings. In 1998-99, the 84.8 excess vacancies generated \$3.2 million in savings. Filled positions cost less on average than the amount budgeted, resulting in additional savings of \$3.8 million. However, the FTB spent \$1.7 million more than budgeted on overtime. The net result was a savings of \$5.3 million in salaries and wages, which was equivalent to 39.7 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	84.8	\$3,243
Higher/Lower Cost of Filled Positions	--	3,796
Overtime	-45.1	-1,725
Subtotal, Salaries and Wages	39.7	\$5,314
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	39.7	\$5,314

Vacancies Due to Funding Shortfalls. In 1998-99, 74.6 personnel years were not filled due to reimbursements that did not materialize.

Hard-to-Fill Positions. The FTB notes that it has a hard time recruiting and retaining tax auditors, other tax positions and program specialists. In 1998-99, these classifications accounted for 34.8 excess vacancies. The FTB has also had difficulty filling information technology positions due to salary differentials with the private sector, but hiring has become easier since Y2K efforts have been completed.

New Position Growth. The FTB's position authority increased during each year of the 1990s except for 1991-92; average growth was 170 personnel years per year. The FTB does not fill new positions in programs for which the workload does not materialize, including 77.9 personnel years in the Child Support Program in 1998-99.

Hiring Freezes. The FTB was under a "soft freeze" during part of 1998-99 pending completion of a performance audit.

Use of Vacant Position Savings. The FTB had total savings of \$8.8 million in 1998-99. Salaries and wages savings were \$5.3 million, including \$2.4 million reflecting reimbursements that did not materialize. There were no shortfalls in other areas.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$8,753	\$5,314	\$1,193	\$2,238	\$8

Savings by Fund Source. Of the \$8.8 million in savings, \$3.7 million reflects reimbursements that did not materialize. General Fund savings were \$2.5 million, and the FTB receives no federal funds.

Dollars in Thousands				
Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$8,753	\$2,513	\$0	\$3,729	\$2,511

Consequences of Excess Vacancies. FTB believes there have been no adverse consequences from excess vacancies.

Expected Future Vacancy Trends. The FTB expects future vacancies to decrease, partly because its "soft freeze" is over and partly because it has intensified its recruitment and retention efforts. As noted in its February 29, 2000 report to the Legislature (in response to Supplemental Report Language), examples of FTB's new efforts include expanded recruitment on college campuses, career counseling for existing employees and use of the Internet to advertise open positions and accept applications.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Tax Programs	70.7
Homeowners and Renters Assistance	-20.5*
Political Reform Audit	0.9
Child Support Collections	63.2
DMV Collections	52.5
Court Collection Program	-2.7*
Contract Work	2.5
Administration	-81.8*
TOTALS	84.8

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

DEPARTMENT OF GENERAL SERVICES

Recommendations

- Eliminate the 93.8 positions held vacant in 1998-99 to cover the increased cost of filled positions but allow the Department of General Services (DGS) to retain the funding (as a reduction to salary savings), since this cost can be expected to continue. Many of the DGS's 1998-99 excess vacancies were in its Building and Property Management Branch and were attributable to the prior Administration's policy of contracting for janitorial services. The excess vacancies in that branch no longer exist. Today, excess vacancies are in the Professional Services Branch, which is involved in the design and construction of State buildings. Given the importance of this program activity, vacant positions in this branch should be retained for now but reviewed during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 93.8 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- The 13.7 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DGS's use of excess overtime has amounted to 13.7—28.5 vacant positions, averaging 23 vacant positions per year.
- The DGS should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 28 excess vacancies in 1998-99.
- By the May Revision, consideration should be given to eliminating some of the DGS's remaining 130 excess vacancies and the associated funding. However, the DGS maintains that many its 1998-99 excess vacancies were in its Building and Property Management Branch and were attributable to the past policy of contracting for janitorial services. The DGS maintains that its excess vacancies in that branch no longer exist and that if there are any excess vacancies today they are in the Professional Services Branch. This should be reviewed during the fall budget process.

Background

Vacancy/Salary Savings Experience. As shown in the table below, the DGS's total vacancy rate has been consistently at or above ten percent since 1990-91. Because of this,

the DGS has failed to consume all of its authorized positions in each of those years, resulting in an excess vacancy rate averaging 5.8 percent. These excess vacant positions have resulted in an excess salaries and wages savings averaging nearly \$4.2 million per year or an excess salaries and wages savings rate of 2.6 percent per year.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	4,641.7	409.6	8.8%	97.0	2.1%	-\$1,369	-0.9%
90-91	4,798.9	493.7	10.3%	175.1	3.6%	-\$128	-0.1%
91-92	4,870.7	664.3	13.6%	341.4	7.0%	\$6,246	3.5%
92-93	4,460.4	450.9	10.1%	223.8	5.0%	\$5,262	3.3%
93-94	4,411.6	617.9	14.0%	384.4	8.7%	\$7,986	4.9%
94-95	4,433.6	589.4	13.3%	350.8	7.9%	\$7,258	4.2%
95-96	3,875.1	424.1	10.9%	220.5	5.7%	\$3,169	2.1%
96-97	3,808.9	412.8	10.8%	186.3	4.9%	\$3,591	2.3%
97-98	3,773.6	454.1	12.0%	243.8	6.5%	\$3,944	2.6%
98-99	3,938.3	478.4	12.1%	265.5	6.7%	\$6,328	3.9%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 265.5 excess vacancies generated \$10.6 million in savings, of which \$3.8 million was spent on the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.5 million was spent on overtime. Thus, net salaries and wages savings were \$6.3 million, which is equivalent to 158.0 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	265.5	\$10,635
Higher/Lower Cost of Filled Positions	-93.8	-3,758
Overtime	-13.7	-549
Subtotal, Salaries and Wages	158.0	6,328
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	158.0	\$6,328

Vacancies Due to Funding Shortfalls. The DGS had no vacancies due to funding shortfalls.

Hard-to-Fill Positions. The DGS reports that the following classifications have been difficult to fill and retain due to the relatively low salaries paid by the State:

Telecommunications Technician; Telecommunications Engineer; Construction Supervisor I & II; Structural, Civil and Mechanical Engineers; Architects; and Project Directors. The DGS states that recent pay increases and the ability to hire at the Tier 1 level have helped ease its hiring difficulties to some extent. Although the DGS reports that these classifications accounted for 39.2 excess vacancies during 1998-99, 11.2 of these vacancies are in positions for which the Department of Personnel Administration reports no known recruitment and retention problems or for which the DGS has not requested a formal salary or classification study.

New Position Growth. Although the DGS's total authorized positions declined by 606.5 positions between 1989-90 and 1998-99, the DGS experienced growth in several of its offices during that period. The primary increases occurred in the Project Management Branch (77.3 positions), Buildings and Property Management Branch (89 positions), the Professional Services Branch (55.5 positions) and the Office of Public School Construction (12 positions).

Hiring Freezes. The DGS reported that it was not affected by any externally or internally imposed hiring freezes.

Use of Vacant Position Savings. The DGS had savings of \$15.6 million in 1998-99. There were no shortfalls in any category.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$15,620	\$6,328	\$2,867	\$9,666	-\$3,241

Savings by Fund Source. Of the \$15.6 million in savings, \$15 million was in other funds and \$0.7 million was in the General Fund. The DGS receives no federal funds or reimbursements.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$15,620	\$660	\$0	\$0	\$14,960

Consequences of Excess Vacancies. The DGS reported that its excess vacancies have generally not had an impact on its ability to meet meeting program requirements.

Expected Future Vacancy Trends. During the 1990s, emphasis was placed on contracting out janitorial services. Between 1994-95 and 1998-99, vacant janitorial positions accounted for 25 percent of the DGS's total vacant positions. Janitorial work is now provided by full-time DGS staff. With the exception of the Executive Office, and the Business, Operations

and Policy Branch, current year data provided by the DGS show a reduction in vacancies rates for all DGS offices.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES*
Administrative Hearings	4.0
Buildings and Property Management	68.0
Division of State Architect	6.0
Executive	10.0
Fiscal Services	25.0
Fleet Administration	15.0
Human Resources	6.0
Legal Services	0.0
Procurement	40.0
Public School Construction	13.0
Real Estate Services Division	92.0
Risk and Insurance Management	2.0
Small Business Certification and Resources	2.0
Telecommunications	41.0
TOTAL	324.0

* Vacancies as of April 1, 1999

DEPARTMENT OF TRANSPORTATION

Recommendations

- The Department of Transportation (Caltrans) indicates that the excess vacancies experienced in 1998-99 were temporary, given the large amount of new positions it received that year. Caltrans further indicates that recent and continuing efforts in recruitment and hiring will leave it with no excess vacancies by June 30, 2000. Given this situation and the major new initiatives in the transportation area, no positions should be eliminated at this time. However, the situation should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 6.8 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- By the May Revision, determine if the funding shortfalls that resulted in 733 positions vacancies were temporary or recurring. To the extent that they are recurring, some of the positions can be eliminated. However, elimination of all those positions would leave the department with no excess vacancies. Because Caltrans had 456 excess vacancies in 1998-99 that were in hard-to-fill classifications, it should be given an opportunity during 2000-01 to fill those positions.

Background

Vacancy/Salary Savings Experience. From 1989-90 through 1996-97, Caltrans had very low vacancy rates and generally over-expended its salaries and wages allotment, based on the current year revised information shown below. However, Caltrans reports that additional expenditure authority was obtained in the years 1989-90 through 1993-94, so that it did not over-expend its total dollars (and presumably its salaries and wages dollars). In 1997-98 and 1998-99, Caltrans' vacancy rates increased to average levels (3.5 percent in 1998-99). Salaries and wages savings were higher than average (8.5 percent for 1998-99).

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	17,990.8	985.3	5.5%	60.4	0.3%	-\$16,085	-2.4%
90-91	19,106.1	1,092.1	5.7%	130.7	0.7%	-\$14,296	-1.8%
91-92	20,353.8	1,057.0	5.2%	32.3	0.2%	-\$19,713	-2.3%
92-93	20,586.2	1,127.3	5.5%	90.9	0.4%	-\$25,192	-3.0%
93-94	20,632.7	1,104.4	5.4%	65.7	0.3%	-\$30,231	-3.4%
94-95	19,867.8	1,261.7	6.4%	259.6	1.3%	-\$30,752	-3.3%
95-96	18,690.3	1,506.9	8.1%	563.0	3.0%	-\$18,206	-2.0%
96-97	17,667.6	1,058.6	6.0%	164.7	0.9%	\$605	0.1%
97-98	18,335.1	1,826.1	10.0%	1,107.5	6.0%	\$48,422	5.3%
98-99	20,750.8	1,658.0	8.0%	729.8	3.5%	\$89,830	8.5%

Data for 1997-98 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. As the table on the next page shows, in 1998-99, the 729.8 excess vacancies generated \$32.8 million in savings. Additional savings were realized because filled positions cost \$17.4 million less than budgeted. Caltrans also saved nearly \$40 million in unused overtime. The overtime allotment, which ranged from about \$41-53 million throughout the decade, was increased to \$104 million for 1998-99 based on project delivery schedules; however, the full need for overtime did not materialize. Caltrans redirected \$0.3 million in salaries and wages savings to cover increased costs in its operating expenses and equipment budget. The net result was salaries and wages savings of \$89.5 million, which was equivalent to 723 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	729.8	\$32,790
Higher/Lower Cost of Filled Positions	--	17,438
Overtime	--	39,602
Subtotal, Salaries and Wages	729.8	\$89,830
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-6.8	-305
Net Adjusted Vacancies	723.0	\$89,525

Vacancies Due to Funding Shortfalls. Based on information provided by Caltrans, there were an estimated 733 personnel years vacant due to shortfalls in federal funds and reimbursements.

Hard-to-Fill Positions. Caltrans reported that it was having difficulty hiring employees in 15 classifications, including several classifications in the following professions: engineering, surveying, planning, heavy equipment operations, electrical work and painting (structural

steel). As of June 1999, Caltrans had 1,080 unfilled positions in those classifications, resulting in 530 excess vacancies. Several of them have been provided recruitment and retention pay differentials, some in the recently-approved collective bargaining MOU. However, the Department of Personnel Administration (DPA) has no knowledge of recruitment and retention problems for planners, and Caltrans has not submitted a formal request to DPA to undertake a classification or salary study of its planning classifications (it is waiting to see the effects of recent salary increases). Therefore, only 456 of Caltrans' 530 excess vacancies are in classifications with known retention and recruitment problems.

New Position Growth. Caltrans' position authority increased by 2,528 personnel years (PYs) from 1989-90 through 1993-94, decreased by 2,802 PYs for 1994-95 through 1996-97, and increased by 3,237 PYs for 1997-98 through 1998-99. As the new positions were added during the last two years, Caltrans' recruitment and hiring efforts were not prepared, since they had been downsizing and laying off employees in the preceding years.

Hiring Freezes. In addition to the statewide freeze in effect in the 1990s, Caltrans imposed a hiring freeze in 1994-95 and declared that it would begin a layoff process, which occurred in 1995-96.

Use of Vacant Position Savings. Caltrans had savings of \$95.4 million in 1998-99. After accounting for federal funds and reimbursements that did not materialize (see "Savings by Fund Source," below), there were real savings of \$22.2 million in total. There were real savings of \$56.9 million in salaries and wages, which were used to cover real shortfalls of \$13.3 million in staff benefits, \$0.3 million of increased costs of operating expenses and equipment and \$21.1 million of increased costs in special items of expense (tort payments). (Note: Caltrans reports that \$15.5 million (funds for 310 budgeted positions) was converted to personal services contracts in 1996-97, and that \$5 million was converted back to positions in 1998-99.)

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$95,350	\$89,830	-\$5,821	\$32,443	-\$21,102

Savings by Fund Source. Of the \$95.4 million savings, \$41.6 million represents reimbursements that did not materialize, and \$31.6 million represents unused federal fund authority. Of this \$73.1 million total, \$33.0 million was in salaries and wages, \$7.5 million was in staff benefits, and \$32.7 million was in operating expenses and equipment. In addition, there was \$22.2 million of savings in other funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$95,350	\$0	\$31,581	\$41,590	\$22,179

Consequences of Excess Vacancies. Caltrans reports that it is unable to quantify the impact of its excess vacancies, most of which are in capital outlay support. Caltrans notes that for 1998-99, it delivered 117 percent its programmed capital outlay dollars (some projects were completed early), and 91 percent of its projects were on time (i.e., within the expected fiscal year).

Expected Future Vacancy Trends. Caltrans expects to eliminate excess vacancies by June 30, 2000. It is in the process of active recruiting and hiring. Caltrans reports that as of March 24, 2000, it had only 409 excess vacancies.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES[†]
Aeronautics	2.0
Capital Outlay Support	684.9
Local Assistance	33.1
Program Development	15.2
Legal	12.4
Operations	-10.2*
Maintenance	68.1
Mass Transportation	23.1
Planning	16.3
Administration	-35.1*
TOTALS	917.1

[†] For 1998-99, based on the difference between the current year revised estimate and actual filled positions. Includes 188 PYs that were eliminated subsequent to the mid-year estimate.

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

CALIFORNIA HIGHWAY PATROL

Recommendations

- No positions should be eliminated, but the situation should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 232.6 positions held vacant in 1998-99 to cover the increased cost of filled positions should be retained for now but re-evaluated during the fall budget process. In 1997-98, the California Highway Patrol (CHP) spent much less on filled positions than it budgeted for those positions. In the prior two years, it spent more on filled positions than it budgeted, but only 30-40 positions were held vacant to cover the increased costs during those years.
- During the fall budget process, determine if the funding shortfalls that resulted in 5 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.

Background

Vacancy/Salary Savings Experience. The CHP's excess vacancy rates have fluctuated from 0.3 percent to 7.0 percent. In 1993-94, it incurred an unallocated reduction of \$33 million, \$17.4 million of which was met by leaving positions vacant. Since then, funding was restored to enable the CHP to fill more of its positions, and beginning in 1997-98 it has kept all its uniformed positions filled. The 1998-99 excess vacancy rate of 2.7 percent and salaries and wages savings rate of 0.6 percent are well below the statewide average.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	8,996.9	562.3	6.2%	252.8	2.8%	-\$1,791	-0.5%
90-91	9,126.6	461.5	5.1%	139.0	1.5%	\$3,107	0.8%
91-92	9,355.5	743.2	7.9%	406.1	4.3%	-\$7	0.0%
92-93	8,911.8	386.8	4.3%	60.8	0.7%	-\$1,357	-0.4%
93-94	9,381.5	1,000.8	10.7%	658.0	7.0%	\$17,396	4.2%
94-95	9,475.5	756.2	8.0%	88.8	0.9%	-\$3,368	-0.8%
95-96	10,108.3	762.1	7.5%	239.7	2.4%	\$5,052	1.0%
96-97	10,110.9	410.9	4.1%	31.2	0.3%	-\$4,547	-0.9%
97-98	10,130.4	394.3	3.9%	238.4	2.4%	-\$3,303	-0.6%
98-99	10,164.0	435.8	4.3%	279.4	2.7%	\$3,197	0.6%

Data for 1997-98 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. Of the excess vacancies in 1998-99, 37 were abolished in 1999-00 as a current year change in the 2000-01 Governor's Budget.

Analysis of Vacancies and Savings. In 1998-99, the 279.4 excess vacancies generated \$13.6 million in savings, which were offset by a \$11.3 million excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions. Unused overtime added \$0.9 million of savings. Net salaries and wages savings were \$3.2 million, which was equivalent to 39.8 excess vacancies.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	279.4	\$13,578
Higher/Lower Cost of Filled Positions	-232.6	-11,303
Overtime	--	922
Subtotal, Salaries and Wages	39.8	\$3,197
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	39.8	\$3,197

Vacancies Due to Funding Shortfalls. In 1998-99, 5 PYs were vacant due to shortfalls in reimbursements.

Hard-to-Fill Positions. The CHP has nearly 1,000 hard-to-fill personnel years—826 in communications operations and 152 in information technology. The communications operator personnel (i.e., dispatchers) are hard to retain, because the positions involve high stress, require substantial overtime and pay less than the private sector. These positions accounted for 55.4 vacant personnel years in 1998-99. The CHP also has difficulty filling information technology positions due to pay differentials; these positions accounted for 9.3 vacant PYs in 1998-99.

New Position Growth. The State Police were merged into the CHP in 1995-96, which added 413 positions. However, the funding provided for the State Police was not sufficient to convert the positions to CHP classifications or to keep all positions filled, which caused the CHP to hold 91 positions vacant for several years. The final 37 of those positions have been reported as abolished in the 2000-01 Governor's Budget.

Hiring Freezes. Budget reductions and expenditure constraints in the early 1990s led the CHP to freeze the hiring of new cadets for over two years (beginning in 1991-92 and ending in late 1993-94). The CHP also delayed filling non-uniformed positions for nearly two years (mid-1993-94 through 1994-95).

Use of Vacant Position Savings. The CHP had savings of \$3.1 million in 1998-99, including \$3.2 million in salaries and wages. There was a shortfall of \$2.5 million in special

items of expense/other, which could have been covered by the salaries and wages savings or the \$2.8 million savings in operating expenses and equipment.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$3,082	\$3,197	-\$357	\$2,755	-\$2,513

Savings by Fund Source. All but \$15,000 of the savings was in other funds. The CHP receives no General Fund appropriation.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$3,082	\$0	\$15	\$0	\$3,067

Consequences of Excess Vacancies. Due to the budget reductions of the early 1990s, the CHP reduced patrol services equivalent to about 500 personnel years. These reductions were reversed over a four-year period (beginning in 1994-95) through funding augmentations that enabled the CHP to fill these positions.

Expected Future Vacancy Trends. The CHP expects to reduce vacancies by intensifying its efforts to recruit and retain communications operators. The CHP expects that improved training will enable more new operators to function successfully and lead to fewer separations, thereby reducing vacancies. Also, 91 unfunded positions related to the State Police merger have been funded and/or eliminated over a three-year period beginning in 1997-98, which will also reduce future vacancy rates.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
Traffic Management	386.9
Regulation and Inspection	38.6
Vehicle Ownership Security	10.3
Administration	72.7
Distributed Administration	-72.7
TOTALS	435.8

DEPARTMENT OF MOTOR VEHICLES

Recommendations

- Eliminate 241.1 positions which were held vacant in 1998-99 to cover the increased cost of filled positions, but allow the Department of Motor Vehicles (DMV) to retain the funding for the positions (as a reduction to salary savings), since this cost can be expected to continue. Additional reductions are not needed to reduce the DMV's salary savings rate. According to the State Controller's records, the DMV also has reduced its excess vacancies by more than three hundred positions during 1999-00. Together with the elimination of 241.1 positions, this reduction in vacant positions will reduce the DMV's salary savings rate to 5 percent or less during 2000-01.
- The DMV has already eliminated 107.4 excess vacancies (see "Changes Since 1998-99," below).

Initial Findings

- The 352.7 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- The 8.3 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- The 5.4 positions that were held vacant in 1998-99 to cover increased overtime costs should be retained for now. The DMV overspent its overtime blanket during 1997-98 and 1998-99 but generally had savings in its overtime expenditures during the last ten years.
- DMV should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 46 excess vacancies in 1998-99.

Background

Vacancy/Salary Savings Experience. The DMV had relatively high vacancy rates in the mid-1990s, but its recent vacancy and salaries and wages savings rates have been somewhat lower than average. The DMV reported that it was required to increase its salary savings by \$3.2 million during 1996-97 to maintain the solvency of the Motor Vehicle Account. This unallocated reduction continues today and results in vacant positions that are attributed to budgeted salary savings. In 1998-99, its excess vacancy rate was 4.6 percent, while its salaries and wages saving rate was 0.8 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	8,459.9	604.4	7.1%	139.9	1.7%	\$1,593	0.7%
90-91	9,022.4	856.4	9.5%	326.1	3.6%	\$5,166	2.0%
91-92	9,287.2	1,056.5	11.4%	485.7	5.2%	\$10,532	3.9%
92-93	9,006.4	1,130.0	12.5%	674.6	7.5%	\$13,817	5.3%
93-94	8,997.6	1,316.8	14.6%	862.3	9.6%	\$16,735	6.1%
94-95	8,625.9	988.3	11.5%	347.9	4.0%	\$10,326	3.6%
95-96	8,696.9	722.1	8.3%	105.1	1.2%	-\$9,394	-3.2%
96-97	8,528.3	511.2	6.0%	82.0	1.0%	-\$2,084	-0.7%
97-98	9,227.8	881.2	9.5%	417.4	4.5%	\$2,325	0.8%
98-99	9,444.6	910.8	9.6%	438.3	4.6%	\$2,581	0.8%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. There have been 107.4 excess vacancies eliminated since 1998-99. These vacancies were limited-term, temporary help positions in the proof of insurance program that were vacant in 1997-98 and 1998-99. The positions were never filled because the funding was used for operating expenses. They expired December 31, 1999.

Analysis of Vacancies and Savings. In 1998-99, the 438.3 excess vacant personnel years (PYs) generated \$14.1 million in savings. Savings were offset by the \$11.3 million excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and the \$0.2 increase in overtime. Also, the DMV redirected \$268,000 to its operating expenses and equipment budget. As a result, net adjusted vacancy savings were \$2.6 million, which was equivalent to 71.9 vacant PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	438.3	\$14,099
Higher/Lower Cost of Filled Positions	-352.7	-11,344
Overtime	-5.4	-174
Subtotal, Salaries and Wages	80.2	\$2,581
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-8.3	-268
Net Adjusted Vacancies	71.9	\$2,583

Vacancies Due to Funding Shortfalls. The DMV had no vacancies due to funding shortfalls.

Hard-to-Fill Positions. The DMV reports that it has particular difficulty filling investigator positions, which pay more in several other State departments. In 1998-99, 46 excess vacancies can be attributed to investigators. In January 2000, under the recently-negotiated collective bargaining memorandum of understanding, supplemental salary adjustments were authorized for the DMV's investigator classifications. Although the adjustments would align DMV investigator salaries with those in other State departments, the adjustments have yet to be approved because DMV does not have funds available to pay the costs of the adjustments.

New Position Growth. The DMV experienced position reductions in the mid-1990s, but position authority increased by 665 PYs in 1997-98 and 177 PYs in 1998-99. The DMV determined that funding provided for 113 positions added in 1997-98 to implement Chapter 1126, Statutes of 1996, would be better expended as operating expenses, and the positions were left vacant for both 1997-98 and 1998-99. (They have since been eliminated.) The DMV reported that 119 vacant PYs in 1997-98 and 77 in 1998-99 resulted from its inability to fill new positions due to the late enactment of the state budget. The DMV also found that 14 managerial positions added in 1997-98 could not be filled because a hiring list was not available.

Hiring Freezes. The DMV did not impose any internal hiring freezes.

Use of Vacant Position Savings. The DMV had savings of \$1.7 million on 1998-99. Savings in salaries and wages savings were \$2.6 million, which were used to offset shortfalls of \$0.6 million in staff benefits and \$268,000 in operating expenses and equipment.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$1,678	\$2,581	-\$635	-\$268	\$0

Savings by Fund Source. All savings were in the other funds category. The DMV receives no federal funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$1,678	\$0	\$0	\$0	\$1,678

Consequences of Excess Vacancies. The DMV believes that all its programs have suffered to some degree from excess vacancies but was not specific as to the consequences of its excess vacancies.

Expected Future Vacancy Trends. The DMV expects that its future vacancy rates will be lower due to the elimination of the 113 unfilled positions and the realignment of investigator salaries. Salary increases for license-registration examiners should also reduce vacancies in

that area. On the other hand, enhanced retirement benefits will encourage more employees to retire in the coming years, which will require that positions be kept vacant to cover large lump sum payments for vacation and personal leave program buyouts.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES*
Vehicle/Vessel Identification and Compliance	201.0
Driver Licensing and Personal Identification	97.2
Driver Safety	50.4
Occupational Licensing and Investigative Services	21.4
New Motor Vehicle Board	8.9
Administration	27.9
TOTALS	406.8

* Based on the difference between the current year revised estimate and actual filled positions. Excludes 31.5 excess vacancies that resulted from positions added subsequent to the current year revised estimate.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Recommendations

- Eliminate 215 positions, which were vacant in 1998-99 due to shortfalls in reimbursements.

Initial Findings

- By the May Revision, determine if the funding shortfalls that resulted in 178.5 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The 44.5 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket).
- By the May Revision, consideration should be given to eliminating some portion of the 32.5 remaining excess vacancies and the funding associated with those vacancies.

Background

Vacancy/Salary Savings Experience. The California Department of Forestry and Fire Protection (CDF) believes the figures displayed in the current-year columns of the Governor's Budget do not correctly reflect the CDF's authorized positions and expenditures for those fiscal years. However, the Department of Finance did not receive information explaining changes in CDF's vacant positions or vacancy rates during the 1990s. The Department of Finance acknowledges that the budgeted amounts reflected in the Governor's Budget and in the table below may be misleading because the CDF receives a significant amount of its annual funding from the Emergency Fire Suppression Fund ("E" Fund), much of which is authorized and spent after the Governor's Budget is printed. Because of the time frame in which our study was conducted, the CDF was unable to provide the Department of Finance with information that would have allowed us to adjust those amounts for years prior to 1997-98. However, with the CDF's assistance, we were able to adjust the 1997-98 and 1998-99 data for expenditure changes that could be identified from changes in CDF's 1997-98 and 1998-99 Reconciliations with Appropriations between January 10 and June 30.

Based on these adjustments, the CDF's total and excess vacancies for 1997-98 and 1998-98 did not change from the amounts displayed in the Governor's Budget for those fiscal years. However, its excess salaries and wages savings were increased from -\$2.2 million and \$3.1 million to \$3.6 million and \$3.5 million, respectively. We believe that similar adjustments would be made for 1989-90 through 1996-97 if a detailed analysis of changes between January 10 and June 30 were conducted. Consequently, we believe the vacancies and

vacancy rates displayed in the table below accurately depict the CDF's situation during the 1990s. We note, however, that a significant number of the CDF's excess vacancies may result from budgeted federal funds and reimbursements that do not materialize (see "Vacancies Due to Funding Shortfalls," below).

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	4,580.2	309.1	6.7%	133.7	2.9%	-\$4,035	-2.2%
90-91	4,782.0	341.2	7.1%	156.8	3.3%	-\$7,511	-3.8%
91-92	4,837.0	481.4	10.0%	292.8	6.1%	\$3,444	1.7%
92-93	4,629.2	388.6	8.4%	205.6	4.4%	-\$10,997	-5.8%
93-94	4,624.9	292.1	6.3%	108.7	2.4%	-\$6,446	-3.3%
94-95	4,808.9	364.0	7.6%	180.7	3.8%	-\$13,237	-6.2%
95-96	4,648.4	319.3	6.9%	136.7	2.9%	-\$10,180	-4.8%
96-97	4,972.9	365.8	7.4%	176.2	3.5%	-\$18,926	-8.4%
97-98	5,228.2	631.4	12.1%	433.0	8.3%	\$3,614	1.5%
98-99	5,253.7	500.0	9.5%	255.5	4.9%	\$3,513	1.4%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 255.5 excess vacancies generated \$11.4 million in savings. Filled positions cost less on average than the amount budgeted, resulting in additional savings of \$6.3 million. The CDF spent \$14.2 million more than budgeted on overtime, however, \$8.7 million was expended from the E Fund and did not require the use of savings from vacant positions. Because most of the excess vacancies were due to reimbursements that did not materialize (see below), most of the remaining \$5.5 million in excess overtime was funded by the savings from the lower cost of filled positions. Only \$2 million in excess overtime was funded from holding non-reimbursed positions vacant, which was equivalent to 44.5 PYs. The net result is a savings in salaries and wages of \$3.5 million, and 211 PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	255.5	\$11,426
Higher/Lower Cost of Filled Positions	--	6,323
Overtime	-44.5	-14,236
Subtotal, Salaries and Wages	211.0	\$3,513
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	211.0	\$3,513

Vacancies Due to Funding Shortfalls. The CDF reports that 178.5 PYs were vacant because of federal funds (1.5 PYs) and reimbursements (177 PYs (215 positions)) that did not materialize.

Hard-to-Fill Positions. The CDF reported that its fire service occupation classifications, particularly paramedics, are paid significantly less (over 30 percent) than they are paid by local government, and that 83.6 PYs of its total vacancies are in these classifications. The CDF noted that it is collecting data on salaries paid by local government agencies to Fire Captains and is working with the Department of Personnel Administration (DPA) to increase compensation for various information technology classifications. The CDF also reported problems in recruiting and retaining Foresters, Assistant (Ranger Unit) Chiefs, Nurse Practitioners and Personnel Services Specialists. The DPA is knows of no retention and recruitment problems in these classifications but is aware that the CDF is conducting a classification and pay study for the Forester classifications. Based on the data submitted by the CDF, there were a small number of excess vacancies in some of its hard-to-fill classifications during 1998-99 but, overall, the CDF had no net excess vacancies in its hard-to-fill classifications.

New Position Growth. The CDF grew by 673.5 authorized positions (or 14.7 percent) between 1989-90 and 1998-99 with a large portion of this growth occurring in 1995-96 and 1996-97, when the State Fire Marshall's Office was transferred to the CDF. In addition, the CDF's Pre-Fire Initiative, based on its Blue Book staffing standards, was fully implemented over a three year period beginning in 1996-97.

Hiring Freezes. Although the CDF was affected by the statewide hiring freezes in the 1990s, it received exemptions to fill seasonal classes with selected limited-term appointments. In addition, during the early to mid 1990s, the CDF imposed a series of internal freezes on selected positions to accommodate reorganizations and budget limitations.

Use of Vacant Position Savings. The CDF had savings of \$17 million in 1998-99. After accounting for federal funds and reimbursements that did not materialize, there were real savings of \$2.6 million. There were real shortfalls of \$7 million in salaries and wages and \$20.7 million in operating expenses and equipment. These shortfalls were covered by real savings of \$6.7 million in staff benefits and \$23.6 million in special items of expense. It should be noted that funding for emergency fire suppression is budgeted as a special item of expense and expended as personal services and/or operating expenses and equipment, which explains the appearance of savings in special items of expense and explains most of the shortfalls in salaries and wages and operating expenses and equipment.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$17,034	\$3,513	\$9,312	\$-19,377	\$23,586

Savings by Fund Source. Of the \$17 million in savings, \$13.6 million reflects reimbursements that did not materialize, of which \$13 million was budgeted in salaries and wages. There were savings of \$1 million in General Fund, \$0.8 million in federal funds that did not materialize, and \$1.6 million in other funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$17,034	\$1,059	\$813	\$13,583	\$1,579

Consequences of Excess Vacancies. The CDF reported that the support areas of personnel, finance and information technology were most affected by excess vacancies. As a result, vendor payments were delayed, fiscal management information was reduced, personnel staff were unable to process hiring documents and overtime payments in a timely manner, and information technology support to department-wide applications was sacrificed.

Expected Future Vacancy Trends. The CDF reported that leave buy-out liability for the large number of staff anticipated to retire over the next five years could increase vacancies.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
Local Government Fire Protection (Reimbursements)	215.0*
Fire Protection/Prevention	167.0
Administration	59.0
Conservation Camps	40.0
State Fire Marshal	10.0
Resources Management	9.0
TOTAL	500.0

* These 215 total vacancies resulted in 177 excess vacancies.

DEPARTMENT OF FISH AND GAME

Recommendations

- Redirect 106 positions that were vacant in 1998-99. The redirected positions are for various budget change proposals that are being submitted with the May Revision of the 2000-01 Governor's Budget.

Initial Findings

- Some or all of the 54 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue. In 1997-98, the Department of Fish and Game's (DFG's) filled positions cost less than the amount budgeted, but the situation in the prior two years was similar to that in 1998-99, with 16.0 to 44.5 positions being held vacant to cover the excess cost of filling authorized positions.
- By the May Revision, determine if the funding shortfalls that resulted in 32.7 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The DFG has had a high budgeted salary savings rate for the last two years covered by our analysis (7.0 percent in 1998-99). The budgeted salary savings rate for 2001-01 is 7.5 percent. Consideration should be given to eliminating 39.2 positions to reduce the DFG's budgeted salary savings rate to a more reasonable 6.0 percent.
- By the May Revision, consideration also should be given to eliminating some of the DFG's remaining 57.5 excess vacancies and associated funding.

Background

Vacancy/Salary Savings Experience. The total vacancy rate for the DFG over the past ten years has varied between 7 and 14 percent, averaging 10.2 percent. However, as shown in the table below, the 1998-99 rate of 14.1 percent is the highest rate in seven years. The data show that the DFG's vacant positions, on average, were 94.3 positions more than necessary to meet budgeted salary savings positions. With the exception of two years, 1995-96 and 1996-97, these excess vacant positions resulted in excess salaries and wages savings. In 1998-99, the DFG under-spent its salaries and wages authorization by \$1.8 million or 2.1 percent of the authorization. In 1995-96 and 1996-97, the DFG over-spent its salaries and wages authorization.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	1,746.9	133.0	7.6%	52.4	3.0%	\$1,923	3.5%
90-91	1,827.8	170.2	9.3%	133.4	7.3%	\$6,231	10.1%
91-92	2,025.2	295.1	14.6%	231.3	11.4%	\$5,475	8.0%
92-93	2,140.2	274.1	12.8%	198.8	9.3%	\$9,665	13.6%
93-94	2,174.8	170.9	7.9%	18.7	0.9%	\$232	0.3%
94-95	2,141.6	259.8	12.1%	100.3	4.7%	\$654	0.8%
95-96	2,052.1	152.1	7.4%	46.0	2.2%	-\$123	-0.2%
96-97	2,044.1	142.6	7.0%	0.5	0.0%	-\$1,229	-1.5%
97-98	2,156.6	190.9	8.9%	17.2	0.8%	\$1,314	1.5%
98-99	2,291.3	323.2	14.1%	144.2	6.3%	\$3,737	4.1%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancy Savings. In 1998-99, the 144.2 excess vacancies generated \$5.6 million in savings. Not all budgeted overtime was expended, resulting in additional savings of \$0.2 million. However, these savings were offset by \$2.1 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions. The net salaries and wages savings were \$3.7 million, which was equivalent to 90.2 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	144.2	\$5,634
Higher/Lower Cost of Filled Positions	-54.0	-2,110
Overtime	--	213
Subtotal, Salaries and Wages	90.2	\$3,737
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	90.2	\$3,737

Vacancies Due to Funding Shortfalls. Based on information provided by the DFG, an estimated 32.7 PYs were vacant because of reimbursements (23 PYs) and special funds (9.7) that did not materialize.

Hard-to-Fill Positions. The DFG reported difficulties in hiring and retaining staff in the following classifications: Fish and Game Warden, various information technology classifications, the Environmental Specialist series, the Biologist series, Associate Industrial Hygienist, the Personnel Services Specialist classifications, and various clerical

classifications. The DFG believes these positions have been difficult to fill because of salary inequities between the State and other employers. According to DFG's Labor Relations Office, 613 DFG positions (32.6 percent) are in these classifications. With the exception of the warden and clerical classifications, all classifications have been found by the Department of Personnel Administration (DPA) to have known recruitment and retention problems or are the subject of a current DPA classification or salary study. The number of vacant PYs during 1998-99 in the classifications known to have retention and recruitment problems was 20.2. The number of excess PYs in those classifications during 1998-99 was 4.1.

New Position Growth. The DFG added 629.5 new regular positions since 1990-91 but deleted 166 positions, resulting in a net growth rate of 25.4 percent over the eight-year period.

Hiring Freezes. The DFG implemented department-wide hiring freezes: (1) in 1993-94 as a result of the Governor's middle-management reduction efforts; (2) from July 2, 1996 through June 30, 1997 in response to Executive Order W-134-96; (3) from July 21, 1997 through March 1998 as a result of a department reorganization; and (4) from April 21, 1998 through the end of 1998-99 due to a shortfall in projected fishing license revenue.

Use of Vacant Position Savings. The DFG had savings of \$15.4 million in 1998-99. After accounting for funds that did not materialize (see "Savings by Fund Source," below), real savings were \$6.1 million, including savings of \$2.2 million in salaries and wages and \$5.6 million in operating expenses and equipment. These real savings were offset by a shortfall of \$1.7 million in staff benefits.

Dollars in Thousands				
Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$15,408	\$3,737	\$-314	\$11,985	\$0

Savings by Fund Source. Of the \$15.4 million in savings, \$0.6 million occurred in the General Fund and \$7.7 million in other funds. The \$2.3 million in federal funds and \$4.8 million in reimbursements shown as savings below represents funding that did not materialize. In addition, \$2.1 million of the \$7.7 million shown as other fund savings represents funding that did not materialize. Thus, there was a total of \$9.2 million in funding that did not materialize.

Dollars in Thousands				
Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$15,408	\$569	\$2,280	\$4,815	\$7,744

Consequences of Excess Vacancies. The DFG did not report on this item.

Expected Future Vacancy Trends. Because the DFG funding source has stabilized, the DFG expects its vacancy rates to be similar to its experiences in 1996-97 and 1997-98, when excess salary savings and excess vacancies were close to zero.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
10 Enforcement of Laws and Regulations	22.8
15 Legal Services	-52.2*
35 Wildlife and Natural Heritage Management	-6.2*
55 Fisheries Management	281.9
60 Environmental Services	-97.9*
65 Oil Spill Prevention and Response	-4.2*
70 Administration (non-add, included in other programs)	(73.9)
TOTAL	144.2

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

DEPARTMENT OF PARKS AND RECREATION

Recommendations

- In light of the significant program growth and need for new positions facing the Department of Parks and Recreation (DPR) due to the new bond act and park fee reductions, no positions should be eliminated at this time. The situation should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 70 positions held vacant in 1998-99 to cover the increased cost of filled positions should be retained for now but re-evaluated during the fall budget process. In the five years prior to 1998-99, the DPR's filled positions cost less than the amount budgeted for those positions. Before eliminating any positions based on the DPR's 1998-99 experience, the administration should determine if the same situation holds during 1999-00.
- Most or all of the 37.2 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DPR's use of excess overtime has amounted to 30—37.2 vacant positions, averaging 33 vacant positions per year.
- By the May Revision, determine if the funding shortfalls that resulted in 46.2 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.

Background

Vacancy/Salary Savings Experience. The DPR's ten-year total vacancy average was 4.3 percent. As shown in the table below, in five of the ten years, the DPR over-consumed authorized positions and over-spent its salaries and wages authorization in four years. For 1998-99, although the DPR showed an excess vacancy rate of 1.0 percent, it over-spent its salaries and wages authorization by \$2.8 million, or 2.6 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	3,019.7	30.0	1.0%	-106.7	-3.5%	-\$953	-1.1%
90-91	3,085.7	145.5	4.7%	22.6	0.7%	\$3,411	3.5%
91-92	2,807.9	-22.6	-0.8%	-134.1	-4.8%	\$731	0.8%
92-93	2,929.2	327.7	11.2%	209.7	7.2%	\$4,888	5.4%
93-94	2,938.7	215.6	7.3%	94.4	3.2%	\$4,923	5.1%
94-95	2,948.4	128.0	4.3%	3.8	0.1%	\$1,296	1.3%
95-96	2,968.6	95.7	3.2%	-30.0	-1.0%	\$613	0.6%
96-97	2,914.3	56.5	1.9%	-67.7	-2.3%	-\$281	-0.3%
97-98	2,933.0	73.0	2.5%	-123.8	-4.2%	-\$2,780	-2.7%
98-99	2,951.1	224.8	7.6%	29.9	1.0%	-\$2,752	-2.6%

Data for 1997-98 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. Of the excess vacancies in 1998-99, 7.5 were limited-term positions (for storm damage remediation) that are expiring June 30, 2000.

Analysis of Vacancies and Savings. In 1998-99, the DPR over-spent its salaries and wages authorization by \$2.8 million. This over-expenditure equates to 77.3 positions.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	29.9	\$1,064
Higher/Lower Cost of Filled Positions	-70.0	-2,492
Overtime	-37.2	-1,324
Subtotal, Salaries and Wages	-77.3	-\$2,752
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	-77.3	-\$2,752

Vacancies Due to Funding Shortfalls. The DPR reports that 46.2 PYs were vacant because of federal funds (4.0 PYs) and reimbursements (42.2 PYs) that did not materialize.

Hard-to-Fill Positions. The DPR reported experiencing difficulties filling vacancies in the Civil Engineering, Landscape Architect, and Architect classifications. It attributed the difficulties to a limited candidate pool, the salary level and, in some cases, to the limited-term nature of some positions. However, it did not provide the number of excess vacancies in these hard-to-fill classifications.

New Position Growth. The DPR has not experienced net new growth in the past ten years. Rather, the DPR's total position count decreased by 126.8 positions over this time frame due, in part, to a department reorganization in 1992, which eliminated 200 positions.

Hiring Freezes. The DPR reported that it has been affected by several hiring freezes during the ten-year period. In the early nineties, after receiving a \$16 million General Fund reduction linked to fee increases, the DPR imposed a freeze to ensure that it did not over-spend its authority. The anticipated fee revenues did not materialize. In addition, the DPR was affected by the statewide hiring freezes mandated by Executive Orders. The DPR also imposed an internal freeze on its capital outlay program when funding for the program was limited.

Use of Vacant Position Savings. The DPR had savings of \$7.5 million in 1998-99. After accounting for funding that did not materialize (see "Savings by Fund Source," below), there were real savings of \$3.6 million. The real savings include surpluses of \$4.4 million in staff benefits and \$3.6 million in operating expenses, some of which were redirected to cover the overexpenditure of \$4.4 million in salaries and wages.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$7,521	-\$2,752	\$4,415	\$5,858	\$0

Savings by Fund Source. Of the \$7.5 million in savings, \$3.2 million were other funds and \$0.5 million were General Fund savings. The remainder, \$0.2 million in federal funds and \$3.6 million in reimbursements, reflect revenues that did not materialize, of which \$1.6 million was in salaries and wages and \$2.2 million was in operating expenses and equipment.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$7,521	\$463	\$235	\$3,583	\$3,240

Consequences of Excess Vacancies. The DPR reported that all program activities were affected by the need to meet salary savings, including reductions in education, interpretation, public safety, resource protection and maintenance throughout all park units.

Expected Future Vacancy Trends. The DPR does not expect improvements in the vacancy trends unless some level of relief is provided that would reduce its salary savings requirement and fund future price increases.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES*
Executive Office	4.2
Office of Historic Preservation	2.3
Administration	8.6
Marketing	2.0
Planning, Acquisition, EDD	6.8
Off Highway Vehicle	8.4
Resource Management	1.7
Park Services	19.0
Field Units	206.8
TOTALS	259.8

* Permanent positions only; temporary help positions are excluded.

DEPARTMENT OF WATER RESOURCES

Recommendations

- Redirect 51.8 positions for various budget change proposals that are being submitted with the May Revision of the 2000-01 Governor's Budget, and eliminate 14 additional positions. The total number of excess vacancies being eliminated is 65.8, including 12.2 resulting from excess overtime, 21.5 resulting from funding shortfalls and 32.1 remaining excess vacancies.

Initial Findings

- The 53.2 positions held vacant in 1998-99 to cover the increased cost of filled positions should be retained for now but re-evaluated during the fall budget process. In four of the five years prior to 1998-99, the Department of Water Resources' (DWR's) filled positions cost less than the amount budgeted for those positions. Before eliminating any positions based on the DWR's 1998-99 experience, the Administration should determine if the same situation holds during 1999-00, or if the number of excess vacancies has decreased.
- The 12.2 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DWR's use of excess overtime has amounted to 3.1—106.7 vacant positions, averaging 36 vacant positions per year.
- By the May Revision, determine if the funding shortfalls that resulted in 21.5 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The DWR should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 69 excess vacancies in 1998-99.
- By the May Revision, consideration also should be given to eliminating some of the DWR's remaining 32.1 excess vacancies and associated funding.

Background

Vacancy/Salary Savings Experience. With the exception of two years, the DWR has experienced relatively low total and excess vacancy rates over the past ten years. The DWR's ten-year average vacancy rates were 5.9 percent for total vacancies and 0.6 percent for excess vacancies. However, both rates increased in 1998-99, with the total vacancy rate increasing to 11.2 percent and the excess vacancy rate increasing to 6.4 percent. These

increased rates resulted in the DWR under-spending its salaries and wages authorization by \$5.8 million in 1998-99.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	2,880.6	159.2	5.5%	-61.8	-2.1%	\$1,709	1.5%
90-91	2,892.6	70.0	2.4%	-153.2	-5.3%	-\$1,530	-1.3%
91-92	2,943.7	127.9	4.3%	-99.7	-3.4%	\$1,800	1.5%
92-93	2,946.8	303.5	10.3%	156.2	5.3%	\$1,455	1.2%
93-94	2,960.1	123.9	4.2%	-56.3	-1.9%	\$2,690	2.0%
94-95	2,999.7	182.1	6.1%	31.3	1.0%	\$2,530	1.8%
95-96	3,024.1	200.5	6.6%	48.5	1.6%	\$2,409	1.6%
96-97	2,934.1	192.8	6.6%	53.9	1.8%	\$1,196	0.8%
97-98	2,874.2	220.5	7.7%	83.1	2.9%	\$279	0.2%
98-99	2,936.1	327.6	11.2%	188.0	6.4%	\$5,809	4.0%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancy Savings. In 1998-99, the 188.0 excess vacancies generated \$8.9 million in savings, which were offset by \$2.5 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$579,000 for excess overtime. The net salaries and wages savings were \$5.8 million, which was equivalent to 122.6 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	188.0	\$8,909
Higher/Lower Cost of Filled Positions	-53.2	-2,521
Overtime	-12.2	-579
Subtotal, Salaries and Wages	122.6	\$5,809
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	122.6	\$5,809

Vacancies Due to Funding Shortfalls. The DWR reports that 21.5 PYs were vacant because of federal funds (4.3 PYs) and reimbursements (17.2 PYs) that did not materialize.

Hard-to-Fill Positions. The DWR reported that a significant percentage of its vacancies have been difficult to fill because of salary differentials between State and other employers. To alleviate the problem, the Department of Personnel Administration recently granted special salary adjustments to 52 of the classifications used by the DWR, affecting 934

(33 percent) of the DWR's authorized positions. Of the 934 positions, 120 (or 12.8 percent) were reportedly vacant on January 26, 1999 and accounted for 69 of the DWR's excess vacancies on December 31, 1998.

New Position Growth. Although the DWR experienced a moderate growth of nearly 144 positions between 1989-90 and 1995-96, a reduction of positions in the next two years reduced its ten-year growth to 28.5 positions, an increase of less than one percent. The 1992-93 increase in vacant positions was caused by new positions for the Los Banos Grandes project, which was eventually cancelled. In 1997-98 and 1998-99, the DWR's vacancy rate was affected by delayed work in the CALFED program. Staff previously assigned to the State Water Project (SWP) Planning Office currently work in CALFED positions but will return to the SWP positions when their CALFED work is completed. However, various delays have extended the CALFED work. In addition, filling 25 positions approved through a 1998-99 BCP was delayed because of program controversies.

Hiring Freezes. The DWR was affected by the hiring freezes imposed by the Executive Order in effect between 1992 and 1996. From September 1995 through November 1997, the DWR had an internal freeze to downsize its Division of Engineering. This Division holds about 36 percent of the DWR's current positions. In addition, with the planned implementation of a new automated business system and the potential impacts the implementation will have on certain classifications, the Department of Personnel Administration imposed controls on new hires into all Unit 1 and Unit 4 vacant positions in the Division. This freeze remains in effect today and affects about 33 percent of the DWR's positions.

Use of Vacant Position Savings. The DWR had savings of \$32.3 million in 1998-99, including \$5.8 million in salaries and wages and \$25.4 million in operating expenses and equipment. Of the \$5.8 million savings in salaries and wages, \$1.1 million is due to federal funds and reimbursements that did not materialize. There were no shortfalls in other areas.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$32,255	\$5,809	\$1,032	\$25,414	\$0

Savings by Fund Source. Of the \$32.3 million in savings, \$3.5 million occurred in the General Fund and \$22.9 million in other funds. Of the remaining savings, \$3.4 million reflects revenues in the federal trust fund which did not materialize and \$2.5 million reflects reimbursements which did not materialize.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$32,255	\$3,492	\$3,424	\$2,455	\$22,884

Consequences of Excess Vacancies. The DWR reported that in most cases program requirements have been met either by using consultants or by using overtime to substitute for vacant positions. It noted, however, that because of the significant reductions in the 1990s, many the DWR programs that provide assistance to local water entities and perform water data collection have been providing a reduced level of public service. Some non-essential, lower priority work has been deferred in the SWP programs until recruitment efforts prove more successful.

Expected Future Vacancy Trends. The DWR anticipates that vacancies in its hard-to-fill classifications will diminish as a result of the recent salary adjustments. In addition, the vacancy numbers will be reduced as recently-implemented programs become fully operational.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Continuing Formulation of the California Water Plan	22.2
Implementation of State Water Resources Development System	99.2
Public Safety and Prevention of Damage	11.3
Services	3.7
Management and Administration	26.1
TOTALS	162.5

AIR RESOURCES BOARD

Recommendation

- Do not eliminate positions. The Air Resources Board (ARB) appears to have filled enough vacant positions so that it no longer has excess vacancies. Further, the increased cost of the filled positions and the redirection of salaries and wages savings to operating expenses may have been temporary occurrences, although this should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 15.9 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost may continue.
- The 9.5 of the 10.4 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs may continue. This adjustment would leave the ARB with no excess vacancies.

Background

Vacancy/Salary Savings Experience. The ARB has maintained a low vacancy rate over the past ten years, reaching the six percent level only in 1998-99. The ARB's ten-year average total vacancy rate was 4.3 percent. Because of the low total vacancy rate, the ARB experienced moderate excess vacancies in four of the ten years but over-consumed authorized positions in the remaining six years. In addition, the ARB over-spent its salaries and wages authorization in four of the last five years by an average of \$1.0 million per year, or approximately 2.1 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	794.1	46.1	5.8%	4.0	0.5%	\$930	2.8%
90-91	855.9	37.8	4.4%	-6.3	-0.7%	\$233	0.6%
91-92	860.7	42.0	4.9%	-3.1	-0.4%	\$407	1.1%
92-93	921.2	36.6	4.0%	-4.9	-0.5%	\$206	0.5%
93-94	983.7	52.5	5.3%	8.1	0.8%	\$458	1.0%
94-95	983.2	26.9	2.7%	-17.6	-1.8%	-\$795	-1.7%
95-96	995.2	23.2	2.3%	-22.1	-2.2%	-\$1,103	-2.3%
96-97	988.0	19.3	2.0%	-25.8	-2.6%	-\$1,483	-3.0%
97-98	998.5	46.6	4.7%	1.0	0.1%	-\$704	-1.4%
98-99	1,031.5	66.1	6.4%	25.4	2.5%	\$512	1.0%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancy Savings. In 1998-99, the 25.4 excess vacancies generated \$1.3 million in savings, which were offset by \$0.8 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions, equivalent to 15.9 personnel years. The ARB under-spent its overtime authority by \$31,000. The remaining \$0.5 million in salaries and wages savings was shifted to the ARB's operating expenses and equipment budget, resulting in no net vacancy savings and the equivalent of -0.9 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	25.4	\$1,292
Higher/Lower Cost of Filled Positions	-15.9	-811
Overtime	--	31
Subtotal, Salaries and Wages	9.5	\$512
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-10.4	-512
Net Adjusted Vacancies	-0.9	\$512

Vacancies Due to Funding Shortfalls. There were no vacancies due to funding shortfalls.

Hard-to-Fill Positions. The ARB did not report any hard-to-fill positions. Because of the nature of the ARB's programs, and possibly the reputation of the ARB, the ARB normally experiences a high level of interest from applicants for vacant positions.

New Position Growth. Between 1989-90 and 1998-99, the ARB's authorized positions increased by 237.4 positions, reflecting a growth rate of nearly 30 percent. The ARB did not provide any details on this growth.

Hiring Freezes. The ARB provided no information on hiring freezes.

Use of Vacant Position Savings. The ARB had savings of \$3.4 million in 1998-99. However, after accounting for funds that did not materialize (see “Savings by Fund Source,” below), there were no real savings overall. There were real savings of \$0.5 million in salaries and wages, \$0.4 million in staff benefits and \$0.5 million in special items of expenses and other. These real savings, about \$1.5 million, were shifted to ARB’s operating expenses and equipment budget.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$3,440	\$512	\$441	\$1,987	\$500

Savings by Fund Source. Of the \$3.4 million savings, all is attributable to funds that did not materialize (\$1.2 million in federal funds, \$1.9 million in reimbursements and \$0.3 million in other funds). These funds were budgeted in operating expenses and equipment.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$3,440	\$0	\$1,264	\$1,889	\$287

Consequences of Excess Vacancies. The ARB provided no information on consequences of excess vacancies. However, given the ARB’s low total vacancy rate during the 1990s, it is likely that the ARB did not experience any programmatic consequences from its excess vacancies.

Expected Future Vacancy Trends. The ARB does not expect its future vacancy rates to differ from its past experience.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Mobile Program	46.6
Stationary Program	-18.3*
Administration	-2.9*
TOTAL	25.4

* The department’s actual personnel years exceeded the budgeted number of personnel years for these programs.

STATE WATER RESOURCES CONTROL BOARD

Recommendations

- Redirect 5 positions funded from the Waste Discharge Permit Fund to water quality and water recycling projects. These positions will be unfunded in 2000-01 due to delays in program implementation. Of the remaining positions that were vacant in 1998-99 due to funding shortfalls, 8.7 were already eliminated and the rest are funded for 2000-01.

Initial Findings

- The 20.1 positions held vacant to cover increased overtime should be retained for now but re-evaluated during the fall budget process. The State Water Resources Control Board's (SWRCB's) use of excess overtime amounted to only 1.1 position in 1997-98, and the SWRCB had savings in overtime expenditures during the two prior years.
- By the May Revision, determine if the funding shortfalls that resulted in 55.5 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The SWRCB should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 90 excess vacancies in 1998-99.

Background

Vacancy/Salary Savings Experience. The SWRCB has experienced high vacancies rates over the past ten years, as shown in the table below. The SWRCB's ten-year average total vacancy rate was 18.1 percent and its latest five-year rate was 15.7 percent. For the same periods, its excess vacancy rates were 12.2 percent and 10.7 percent. The 1998-99 rates are the lowest in the past four years. The table shows that the SWRCB consistently under-spent its net salaries and wages authorization by an average of 9.1 percent. In 1998-99, the excess salaries and wages savings were \$6.3 million, equating to an excess salary and wages savings rate of 10.5 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	1,165.0	135.3	11.6%	49.3	4.2%	\$911	1.9%
90-91	1,289.5	274.4	21.3%	167.9	13.0%	\$4,758	8.7%
91-92	1,375.3	360.4	26.2%	249.3	18.1%	\$8,073	13.8%
92-93	1,453.1	386.0	26.6%	314.9	21.7%	\$9,661	16.1%
93-94	1,421.0	236.1	16.6%	164.8	11.6%	\$6,058	9.6%
94-95	1,397.4	178.1	12.7%	104.6	7.5%	\$2,188	3.4%
95-96	1,418.1	236.0	16.6%	160.4	11.3%	\$3,135	4.7%
96-97	1,383.1	227.6	16.5%	156.8	11.3%	\$5,755	8.6%
97-98	1,387.0	249.9	18.0%	179.2	12.9%	\$6,888	10.2%
98-99	1,394.7	207.1	14.8%	146.5	10.5%	\$6,319	9.1%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. Of the 146.5 excess vacancies in 1998-99, 8.7 have been eliminated (1.4 were limited-term positions that expired June 30, 1998, and 7.3 were eliminated in a 1999-00 budget change proposal).

Analysis of Vacancy Savings. In 1998-99, the 146.5 excess vacancies generated \$7.2 million in savings. Filled positions cost less on average than the amount budgeted, resulting in additional savings of \$0.1 million. However, the SWRCB spent \$1.0 million for excess overtime. The net salaries and wages savings were \$6.3 million, which was equivalent to 126.4 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	146.5	\$7,247
Higher/Lower Cost of Filled Positions	--	68
Overtime	-20.1	-996
Subtotal, Salaries and Wages	126.4	\$6,319
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	126.4	\$6,319

Vacancies Due to Funding Shortfalls. The SWRCB reports that 55.5 PYs were vacant because of federal funds (19.1 PYs), reimbursements (23.9 PYs) and special funds (12.5 PYs) that did not materialize.

Hard-to-Fill Positions. The SWRCB reported that it has had significant difficulty filling engineer, geologist, scientist and information technology positions because its salaries are not competitive with those of private and, in many cases, other public employers. The

SWRCB stated that these positions represent 67 percent of its workforce and 81 percent of its salaries. During 1998-99, 131 positions in these classifications were vacant during the year. This means that about 90 PYs of the SWRCB's 1998-99 excess vacancies were in these classifications.

New Position Growth. Between 1989-90 and 1998-99, the SWRCB added nearly 230 positions. In July 1999, the SWRCB added another 189 positions. New programs included: the Underground Storage Tank Cleanup Program, the annual Waste Discharge Permit Fee Program, the Above Ground Tanks Program, the Bay Protection and Toxic Cleanup Program, and a loan program for wastewater facility construction funded by the State Water Pollution Control Revolving Fund.

Hiring Freezes. The SWRCB was affected by statewide hiring freezes imposed by Executive Orders from July 1, 1990 through June 30, 1997. In addition, the SWRCB imposed an internal freeze between July 9, 1992 and September 17, 1992 and another between March 6, 1996 and June 30, 1997.

Use of Vacant Position Savings. The SWRCB had savings of \$26.8 million in 1998-99. Savings occurred in all categories except special items of expense and other. Of the \$6.3 million in savings in salaries and wages, \$3.1 million is due to federal funds and reimbursements that did not materialize. Of the \$7.2 million savings in operating expenses and equipment, \$1.8 million is due to funds which did not materialize.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$16,803	\$6,319	\$3,244	\$7,240	\$0

Savings by Fund Source. Of the \$16.8 million in savings, \$9.8 million occurred in other funds and \$0.9 million occurred in the General Fund. Of the remaining savings, \$3.8 million reflects federal funds that did not materialize and \$2.3 million reflects reimbursements that did not materialize.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$16,803	\$923	\$3,783	\$2,286	\$9,811

Consequences of Excess Vacancies. The SWRCB was unable to quantify the impact on programs caused by excess vacancies because of the many factors that can cause programs to fall short of their objectives. Some of the programs have historically been under-funded, which would more directly relate to shortfalls in program outputs.

Expected Future Vacancy Trends. As a result of 189 positions added to the SWRCB's budget on July 1, 1999, the SWRCB had a total of 400 vacancies on that date. Since that time, however, the SWRCB has hired 265 new staff and through continued, aggressive recruitment the SWRCB expects to have only 45 unfilled positions beyond the required salary savings level by the end of the current year. If the SWRCB reaches this goal, its excess vacancy rate would decline to 2.7 percent, down from the current 11 percent level.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
Program 10: Water Quality	148.1
Program 20: Water Rights	19.5
Program 30: Administration	39.5
TOTAL	207.1

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

Recommendations

- Redirect 25 positions for various budget change proposals that are being submitted with the May Revision of the 2000-01 Governor's Budget. These positions include 21 related to the higher cost of filling positions (which the department believes will cost less than the 45.5 positions in 1998-99) and 5 positions related to funding shortfalls. Do not eliminate positions related to excess overtime, since the department indicates that excess overtime was greatly reduced beginning in 1999-00.

Initial Findings

- The 45.5 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- The 5.4 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the Department of Toxic Substances Control's (DTSC's) use of excess overtime has amounted to 4.6—5.9 vacant positions.
- By the May Revision, determine if the funding shortfalls that resulted in 51 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The DTSC should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 138.4 excess vacancies in 1998-99.

Background

Vacancy/Salary Savings Experience. With the exception of two years, the DTSC experienced double-digit total vacancy rates over the past ten years. The DTSC's ten-year average total vacancy rate was 14.2 percent and its average excess vacancy rate was 7.4 percent. The 1998-99 rates were the highest during the ten-year period. The data below show that the DTSC has significantly under-spent its salaries and wage authorization. In 1998-99, the DTSC under-spent its authorization by \$5.2 million, or by 9.8 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	956.5	72.0	7.5%	-4.5	-0.5%	-\$645	-1.8%
90-91	1,001.4	131.4	13.1%	45.5	4.5%	-\$575	-1.5%
91-92	1,018.4	119.3	11.7%	43.6	4.3%	-\$1,747	-4.3%
92-93	1,069.4	183.5	17.2%	95.8	9.0%	\$1,572	3.8%
93-94	1,190.3	99.3	8.3%	39.8	3.3%	-\$913	-1.8%
94-95	1,273.6	192.3	15.1%	92.7	7.3%	\$1,228	2.1%
95-96	1,184.4	205.9	17.4%	106.5	9.0%	\$4,836	8.9%
96-97	1,147.6	192.5	16.8%	135.7	11.8%	\$4,537	8.4%
97-98	1,107.6	176.4	15.9%	121.5	11.0%	\$4,013	7.6%
98-99	1,118.2	217.1	19.4%	160.1	14.3%	\$5,246	9.8%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The DTSC eliminated 4.8 excess vacancies through an approved budget change proposal in the 2000-01 Governor's Budget.

Analysis of Vacancy Savings. In 1998-99, the 160.1 excess vacancies generated \$7.7 million in savings, which were offset by \$2.2 million in excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.3 million was spent on overtime. Thus net salaries and wages savings were \$5.2 million, which is equivalent to 109.2 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	160.1	\$7,692
Higher/Lower Cost of Filled Positions	-45.5	-2,186
Overtime	-5.4	-260
Subtotal, Salaries and Wages	109.2	\$5,246
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	109.2	\$5,246

Vacancies Due to Funding Shortfalls. The DTSC reports that 48.4 PYs were vacant because of federal funds (31.3 PYs) and reimbursements (17.1 PYs) that did not materialize.

Hard-to-Fill Positions. The DTSC reported significant difficulty filling engineer, geologist and scientist positions because its salaries were not competitive with salaries in the private sector and, in many cases, other public employers. According to the DTSC, these classifications represent 50 percent of its workforce and 50 percent of its salaries and wages.

The DTSC reports that 192.4 of its total vacant positions were in these hard-to-fill classifications in 1998-99. However, 54 of these excess vacancies are in classifications for which the Department of Personnel Administration (DPA) indicates there are no known retention and recruitment problems and for which DPA has received no request from the DTSC for a formal salary or classification study.

New Position Growth. Although the DTSC's ten-year growth shows a net increase of 158.7 positions, a 16.6 percent increase since 1989-90,¹ nearly all the new growth occurred prior to 1995-96. In fact, the DTSC added 317.1 positions prior to that year before eliminating 166 positions over the next three years. Most of these increases, as well as decreases, applied to the DTSC's Site Mitigation (SM) and Hazardous Waste Management (HWM) Programs. The principal changes occurred within the SM Program when, in 1994-95, the DTSC entered into an agreement with the federal department of defense for oversight of closing and open military bases.

Hiring Freezes. In one form or another, the DTSC operated its programs during the ten-year period under hiring restrictions. From July 1, 1990 through June 30, 1997, the Governor's Executive Order imposed a hiring freeze. In addition, because of revenue shortfalls, the DTSC imposed significant cutbacks in mid-year 1993-94 and again in 1994-95 and imposed a relatively stringent hiring freeze. Since that time, the DTSC continued to require internal fiscal approval to fill vacant positions to ensure sufficient funding existed. With the passage of the Environmental Cleanup and Fee Reform Act of 1997 and 1998 legislation changing the funding of the SM and the Science, Pollution Prevention and Technology Programs, the DTSC now anticipates more stability in its funding source.

Use of Vacant Position Savings. The DTSC had \$18.5 million of savings in 1998-99. There was a shortfall of \$0.6 million in staff benefits, which could have been covered by savings from the three other categories.

Dollars in Thousands				
Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$18,446	\$5,246	-\$580	\$10,533	\$3,247

Savings by Fund Source. Of the \$18.5 million in savings, the majority (\$9.7 million) occurred in other funds. There was a savings of \$0.5 million in the General Fund. \$6.5 million of the savings reflects unrealized federal funds and \$1.7 million reflects unrealized reimbursements.

¹ The DTSC was formally designated a department in 1991-92. Prior to that date, it was a division within the Department of Health Services.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$18,446	\$518	\$6,510	\$1,721	\$9,697

Consequences of Excess Vacancies. The DTSC reported that the HWM program had a backlog of both permits and enforcement cases as a result of excess vacancies and that vacancies in the SM program affected the speed at which sites were remediated. Also, the DTSC stated that during the mid-1990s, funding for contracts to clean up sites was limited by revenue problems and, in 1999, it was unable to inspect and perform all required activities at hazardous waste facilities and emergency response operations because a limited number of Industrial Hygienist staff met new OSHA requirements for respiratory fit protection.

Expected Future Vacancy Trends. Because of fund source changes and improved hiring and retention practices, the DTSC anticipates lower vacancy rates in future years.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Executive Office	1.8
Assistant Directors Office	2.7
Science, Pollution Prevention & Technology	14.3
Legal Office	1.2
Site Mitigation	51.3
Hazardous Waste Management	58.6
External Affairs/Public Participation	7.8
Administration	37.0
Temporary Help Included in Programs Above	-17.5
TOTALS	157.2

DEPARTMENT OF HEALTH SERVICES

Recommendations

- Eliminate the 145.3 vacant positions due to the higher cost of filled positions but retain the funding to reduce salary savings.
- No additional positions should be eliminated at this time because the department indicates that it has eliminated all remaining excess vacancies by filling positions that were vacant in 1998-99. This situation should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 145.3 positions held vacant in 1998-99 to cover the increased cost of filled positions can be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Most or all of the 31.4 positions held vacant to cover increased overtime can be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the Department of Health Services' (DHS's) use of excess overtime has amounted to 18-40 vacant positions.
- By the May Revision, determine if the funding shortfalls that resulted in 33 excess vacancies are temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- By the May Revision, determine if the redirection of 3.8 positions to contract staff is recurring or temporary. If recurring, the positions can be eliminated and the funding for the positions redirected to operating expenses.
- The DHS should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases and the DHS's increased recruitment activity. These positions accounted for 170 excess vacancies in 1998-99.
- By the May Revision, some part of the remaining 120.6 excess vacancies and the funding associated with those positions should be considered for elimination.

Background

Vacancy/Salary Savings Experience. The DHS had large fluctuations in vacancy rates during the 1990s. Rates were low at the beginning of the decade, increased during the middle of the decade, decreased towards the end of the decade, but increased in 1998-99. The DHS reported that some of these fluctuations were due to periodic funding shortfalls in

various special funds that required it to hold positions vacant. Similarly, the salaries and wages authority could be exceeded in programs with special fund sources if there were ample revenues in those funds. During 1998-99, the DHS received a budget adjustment that eliminated 376.5 unfunded positions (but not the funding that was at one time associated with those positions, as reflected in the department's Schedule 7A) and reduced its budgeted salary savings by \$18 million. As the table below indicates, excess vacancies increased by 440 positions during 1998-99.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	4,687.6	515.9	11.0%	111.4	2.4%	-\$60	0.0%
90-91	5,036.5	641.9	12.7%	-68.5	-1.4%	-\$2,827	-1.5%
91-92	5,362.8	1,486.6	27.7%	1,085.0	20.2%	\$26,516	12.9%
92-93	5,079.0	970.7	19.1%	492.4	9.7%	\$12,572	6.6%
93-94	5,201.0	825.6	15.9%	256.8	4.9%	\$4,984	2.4%
94-95	5,404.2	816.8	15.1%	362.0	6.7%	\$4,726	2.1%
95-96	5,567.2	659.9	11.9%	74.6	1.3 %	-\$3,224	-1.3%
96-97	5,562.0	538.3	9.7%	-87.3	-1.6%	-\$9,515	-3.9%
97-98	5,635.6	794.8	14.1%	64.2	1.1%	-\$4,848	-2.0%
98-99	5,489.6	814.5	14.8%	504.1	9.2%	\$14,862	5.9%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 504.1 excess vacant personnel years (PYs) generated \$22.9 million in salary and wages savings, which were offset by expenditures of \$6.6 million for the excess cost (i.e., beyond the cost that was budgeted) of filling authorized positions and \$1.4 million for unbudgeted overtime. In addition, the DHS used \$0.3 million for personal services contracts in place of 3.8 PYs. Thus, net adjusted vacancy savings were \$14.5 million and 323.6 vacant PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	504.1	\$22,886
Excess Cost of Filled Positions	-145.3	-\$6,597
Overtime	-31.4	-\$1,427
Subtotal, Salaries and Wages	327.4	\$14,862
Vacant for Personal Services Contracts	-3.8	-\$346
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	323.6	\$14,516

Vacancies Due to Funding Shortfalls. The DHS had 33 PYs vacant due to shortfalls in reimbursements.

Hard-to-Fill Positions. The DHS indicates that nearly 1,700 positions, or 30 percent of its authorized positions, are in 17 categories that are hard to fill due to the higher salaries paid by non-State employers. These categories include nurses (709), information technology positions (335), sanitary engineers (107) and health and scientific consultants and specialists in 13 other classification groupings. Data provided by the DHS show that 170 excess vacancies (i.e., after expected salary savings) during 1998-99 were in these categories. During the 1999-00 collective bargaining process, the DHS received an additional 5 percent for nurses and six other consultant/specialist classifications. Also, a DHS-specific health investigator classification was recently established, and the DPA currently is conducting salary studies for IT classifications and for other positions the DHS has found hard to fill.

New Position Growth. The DHS's net position authority increased by about 900 personnel years during the 1990s. Most recently, the DHS received 61.5 positions for a new program in public water system safety, which was to begin in October 1998. The DHS was unable to fill most of these positions in 1998-99, and 24 positions (mostly engineers) were still vacant as of March 2000.

Hiring Freezes. The DHS imposed an internal hiring freeze from May 1997 through July 1998, because it was exceeding its salaries and wages expenditure authority.

Savings by Object. The DHS had savings of \$70.9 million in 1998-99. Of this amount, \$14.9 million was in salaries and wages, including \$10.9 million attributable to unexpended federal fund authority and reimbursements that did not materialize. There were no shortfalls in other areas. Of the \$39 million savings in operating expenses and equipment, \$14 million was attributable to federal funds and reimbursements.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$70,916	\$14,862	\$4,169	\$39,069	\$12,816

Savings by Fund Source. Of the \$70.9 million in savings, \$36.4 million was in other funds, \$24.4 million represents decreased expenditures in federal funds and \$4.2 million represents reimbursements that did not materialize. General Fund savings were only \$5.9 million.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$70,916	\$5,855	\$24,445	\$4,197	\$36,419

Consequences of Excess Vacancies. The DHS indicated major adverse consequences of its excess vacancies, the most significant of which are briefly summarized below:

- **Prevention Services:** Decreased monitoring and quality assurance of laboratories, thus jeopardizing their ability to adequately protect workers and the public; increase

in food-related illnesses due to reduced inspections and responsiveness to food illness outbreaks; reduced approvals of medical devices that hampered businesses' ability to market products; reduced inspections of ionizing radiation machines, potentially jeopardizing worker and patient safety (customers have paid in advance for the inspections); and insufficient training of HIV counselors.

- **Primary Care and Family Health:** California Children's Services—delayed approvals of service and increased hospitalizations. Maternal and Child Health—reduced ability to prevent infant deaths, elimination of on-site contractor reviews to ensure performance and fiscal accountability, and delayed approval new contracts and programs.
- **Medical Services:** Reduced monitoring and quality assurance in Medi-Cal managed care plans; five-year delays in recouping Medi-Cal funds from overpaid providers (which had generated lawsuits by providers); inadequate training of county staff in Medi-Cal eligibility requirements, resulting in inconsistent practices across the State; reduced Medi-Cal utilization review; cost increases in the Medi-Cal dental program due to reduction of cost-avoidance activities; reduced monitoring of the Medi-Cal claims processor; reduced services to providers; and increased costs of computer systems due to cutbacks at the design phase.
- **Audits and Investigations:** Reduced net audit recoveries of \$15 million in 1998-99 due to a shift from field to desk audits, reduction in income eligibility investigations, and reduced auditing of managed care plans and non-institutional providers.

Expected Future Vacancy Trends. The elimination of the unfunded positions in 1998-99 provided the DHS with the salaries and wages expenditure authority to fill more of its positions. However, given the hiring freeze imposed during 1997-98, the DHS's testing and recruitment functions were not prepared for hiring a large number of new staff, which contributed to the large number of vacancies. Currently, the DHS has intensified its recruitment, hiring and retention efforts by contracting with a consulting firm for assistance, establishing a recruitment and retention unit, and centralizing the hiring process for generally used classifications. In addition, the DHS will be increasing the number of staff assigned to administer civil service exams. The DHS also will be pursuing additional salary adjustments for its hard-to-fill classifications.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES*
AIDS Division	23.0
Administration	113.8
Audits and Investigations	92.2
Chronic Disease	18.6
California Partnership for Long Term Care	0
Disease Control	45.4
Director's Office	42.4
Drinking Water	39.1
Environmental and Occupational Disease	33.7
Food, Drug and Radiation Study	48.9
Health Information and Strategic Planning	30.2
Licensing and Certification Division	74.6
Laboratory Science	27.5
Medi-Cal Operations	153.6
Medi-Cal Policy	52.9
Medi-Cal Managed Care	43.5
Office of Medi-Cal Procurement	2.0
Primary Care and Family Health	86.6
Payment Systems Division	79.3
TOTALS	1,007.3

* Vacancies as of June 4, 1998.

DEPARTMENT OF DEVELOPMENTAL SERVICES

Recommendations

- No positions should be eliminated. The Department of Developmental Services (DDS) indicates that it has addressed the over-budgeting of federal funds and reimbursements that resulted in 6.6 vacancies attributable to funding shortfalls in 1998-99.

Initial Findings

- By the May Revision, determine if the funding shortfalls that resulted in 6.6 vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- Because the DDS has had no excess vacancies for the past two years, no additional positions be eliminated. However, the DDS's budget should be adjusted to remove the inconsistency between the number of authorized temporary help positions and the temporary help funding included in its budget. The effect of this recommendation would be to increase the number of statewide vacancies and excess vacancies by 230—300 positions.

Background

Vacancy/Salary Savings Experience. With the exception of 1996-97, the DDS experienced a continual decline in its vacancies during the 1990s. (The exception occurred in 1996-97, when the DDS received funding too late in the year to fill about 150-200 positions.) Conversely, the salaries and wages savings generally increased throughout most of the 1990s, but decreased sharply in 1998-99. DDS's excess vacancy and salaries and wages savings rates in 1998-99 were substantially below the statewide average. In the developmental centers, which have the vast majority of the positions, the DDS operates pursuant to staffing standards required for licensing, so posts must be covered. If the population decreases, positions are not filled.

It should be noted that the vacancies in the DDS are understated beginning in 1993-94, because the budgeted number of positions to be funded from its temporary help blanket are understated. For example, if the number of temporary help positions were consistent with the funding for temporary help, the number of authorized positions would increase by 291.0 for 1997-98 and 228.7 for 1998-99. The vacancies and excess vacancies would be increased by the same number.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	11,834.6	1,259.7	10.6%	656.8	5.5%	\$2,498	0.7%
90-91	12,044.8	1,248.1	10.4%	605.9	5.0%	\$4,865	1.2%
91-92	11,944.6	1,136.9	9.5%	347.3	2.9%	\$6,292	1.6%
92-93	11,624.2	934.9	8.0%	354.8	3.1%	\$3,085	0.8%
93-94	11,552.1	911.0	7.9%	342.7	3.0%	\$5,777	1.4%
94-95	10,859.2	746.4	6.9%	26.0	0.2%	-\$409	-0.1%
95-96	9,325.9	520.5	5.6%	-87.0	-0.9%	\$17,194	4.5%
96-97	8,547.5	781.2	9.1%	302.4	3.5%	\$14,994	4.3%
97-98	7,382.2	308.6	4.2%	-147.5	-2.0%	\$15,009	5.0%
98-99	7,684.1	239.6	3.1%	-146.7	-1.9%	\$4,663	1.5%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The DDS indicates that it has addressed the over-budgeting of federal funds and reimbursements that resulted in 6.6 vacancies attributable to funding shortfalls in 1998-99.

Analysis of Vacancies and Savings. In 1998-99, the 146.7 personnel years (PYs) by which the DDS exceeded its position authority resulted in a \$5.7 million over-expenditure of salaries and wages. However, the DDS realized \$18.8 million in savings because the cost of filled positions was less than budgeted. The DDS exceeded its overtime allotment by \$8.4 million. The net result was a \$4.7 million over-expenditure of salaries and wages authority.

DDS is unusual in that it typically spends less on filled positions than the amount budgeted. The main reason is that the DDS budgets very few temporary help positions, but uses a large number of temporary help positions to cover vacancies in regular positions, and the temporary help positions have a lower average cost than do the regular positions. Since the temporary help positions cost less, DDS is able to fund more positions than it is authorized.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	-146.7	-\$5,712
Higher/Lower Cost of Filled Positions	--	18,800
Overtime	-216.4	-8,425
Subtotal, Salaries and Wages	-363.1	\$4,663
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	-363.1	\$4,663

Vacancies Due to Funding Shortfalls. The DDS had 6.6 vacant PYs due to funding shortfalls.

Hard-to-Fill Positions. The DDS reports that it has difficulty filling positions for nurses, physical and occupational therapists, physicians, psychiatric technicians, psychologists/social workers, teachers, peace officers and health records technicians in the developmental centers. These positions comprised 50 percent of the DDS's positions in 1997-98 and 63 percent in 1998-99. In addition, there is difficulty filling positions across the board at Agnews, due to its Bay Area location. The DDS has implemented many recruitment and retention pay differentials to improve the attractiveness of its positions. At headquarters, the DDS has difficulty filling auditor positions (the DDS notes that this classification currently has a 30 percent excess vacancy rate) and information technology positions (currently 9 percent excess vacancy rate), due to the increased demand for these positions across State agencies and higher salaries in the private sector. Excess vacancies in the DDS's hard-to-fill classifications amounted to at least 212 personnel years in 1997-98 and 717 personnel years in 1998-99. The vast majority of these vacancies had to be covered with temporary help or overtime.

New Position Growth. During the mid-90s, the DDS closed two developmental centers. The workforce decreased by over 3,000 PYs from 1994-95 to 1997-98. In 1998-99, the developmental centers received the 576 personnel years as the first installment of 1,704 total new positions, to be phased in over four years in order to meet federal quality of care requirements.

Hiring Freezes. In the process of closing the two developmental centers, periodic freezes were imposed on other developmental centers to maintain positions for employees transferring from the closed facilities. Otherwise, the developmental centers were exempt from statewide hiring freezes.

Use of Vacant Position Savings. The DDS had \$5.3 million in savings in 1998-99. There were savings of \$4.7 million in salaries and wages and \$6.2 million in staff benefits. There was a shortfall in operating expenses and equipment of \$5.5 million, which could have been covered by the savings in salaries and wages or staff benefits.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$5,300	\$4,663	\$6,156	-\$5,519	\$0

The DDS reports that in during the 1990s, it accumulated a shortfall in operating and expenses of about \$13 million. Positions were held vacant to generate the necessary funds, which were redirected to operating expenses and equipment. Funding to eliminate the shortfall was provided in 1998-99 (\$9.6 million) and 1999-00 (\$3.4 million).

Savings by Fund Source. Of the \$5.3 million in savings, \$4.9 million was General Fund. The remainder was \$0.3 million in federal funds and \$0.1 million in other funds.

Dollars in Thousands				
Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$5,300	\$4,893	\$309	\$0	\$98

Consequences of Excess Vacancies. Excess vacancies in the early 1990s caused the federal government to sanction the DDS over quality of care in the developmental centers and to temporarily withdraw funding. Continued concerns by the federal government ultimately led to the four-year program to augment staffing, which began in 1998-99.

Expected Future Vacancy Trends. In general, the DDS believes that the Administration and the Legislature have addressed its staffing and budgetary needs with the four-year plan, and that vacancies will not be a problem in the future. The DDS has intensified recruitment of hard-to-fill positions, and has been working with community colleges to increase the number of psychiatric technicians trained. The DDS is now conducting its own exams for auditors, which should help fill those headquarters vacancies.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Community Services Program	-9.9*
Development Centers Program	-188.0*
Administration	51.2
TOTALS	-146.7

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

DEPARTMENT OF MENTAL HEALTH

Recommendations

- Eliminate 50 positions and re-examine the Department of Mental Health's (DMH's) vacancies during the fall budget process to determine whether additional vacancies can be eliminated without jeopardizing the accreditation status of the state hospitals.

Initial Findings

- The 7.3 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Some of the 432.9 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DMH's use of excess overtime has amounted to 99.2—432.9 vacant positions, averaging 231 vacant positions per year. However, because our other recommendations may leave the DMH with fewer than 432.9 excess vacancies, it may be necessary to eliminate fewer than 432.9 positions to leave the DMH with zero excess vacancies. Moreover, because excess overtime is necessary in the hospitals when positions cannot be filled, the DMH should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 270 excess vacancies in 1998-99.
- The 230.2 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- By the May Revision, determine if the funding shortfalls that resulted in 28.3 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.

Background

Vacancy/Salary Savings Experience. Vacancy rates in the DMH have generally been average or above-average in the last 10 years. In the last few years, the vacancy rates have been above-average, while the salaries and wages savings rates have been about average. In the state hospitals, which have the vast majority of the positions, the DMH operates pursuant to staffing standards required for licensing, so posts must be covered. If the population decreases, positions are not filled.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	7,731.2	866.7	11.2%	406.4	5.3%	\$2,171	0.8%
90-91	7,869.4	787.7	10.0%	415.1	5.3%	\$4,324	1.5%
91-92	7,434.0	468.4	6.3%	97.7	1.3%	-\$14,493	-5.5%
92-93	7,434.5	903.0	12.1%	532.3	7.2%	\$7,276	2.8%
93-94	6,891.6	742.8	10.8%	350.5	5.1%	\$7,986	3.0%
94-95	6,720.7	624.7	9.3%	231.6	3.4%	\$6,249	2.3%
95-96	7,622.9	1,357.4	17.8%	655.7	8.6%	\$25,563	8.4%
96-97	7,439.3	976.8	13.1%	563.6	7.6%	\$4,613	1.5%
97-98	7,982.4	1,040.6	13.0%	643.1	8.1%	\$11,961	3.7%
98-99	8,244.9	1,233.3	15.0%	675.7	8.2%	\$9,916	2.9%

Data for 1997-98 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 675.7 excess vacancies generated \$28.4 million of savings, which were offset by \$0.3 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$18.2 million for excess overtime. (Most of the DMH's positions are in the state hospitals, and most vacancies must be covered, often by overtime.) One position, the department's medical director, is filled by contract. About \$9.1 million of salaries and wages savings was redirected to offset the shortfall in operating expenses and equipment, resulting in \$0.5 million net vacancy savings, which is equivalent to 17.2 PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	675.7	\$28,444
Higher/Lower Cost of Filled Positions	-7.3	-306
Overtime	-432.9	-18,222
Subtotal, Salaries and Wages	235.5	\$9,916
Vacant for Personal Services Contracts	-1.0	-224
Vacant to Cover OE&E Costs	-217.3	-9,146
Net Adjusted Vacancies	17.2	\$546

Vacancies Due to Funding Shortfalls. The DMH had 28.3 PY vacancies due to shortfalls in federal funds and reimbursements.

Hard-to-Fill Positions. The DMH has difficulty filling positions for psychiatrists, nurses, pharmacists, dieticians and social workers due to salary differentials with other employers and working conditions (i.e., difficult clientele) in the state hospitals. The DMH reports that it takes about a year to hire a psychiatrist. In addition, nurses, which make up about half the

positions in the state hospitals, are in short supply. The DMH also reports that the Department of Corrections pays higher salaries for some common classifications, which makes it more difficult for the DMH to recruit. The DMH's hard-to-fill classifications accounted for about 270 excess vacancies during 1998-99. Although the Department of Personnel Administration has recognized the difficulty of hiring staff to fill medical classifications and although the State has adopted pay differentials for most of these classifications, the DMH has been reluctant to pursue recruitment and retention salary differentials because it has had to absorb the additional costs of the differentials.

Psychiatric technician positions are also hard to fill, due to inadequate supply. (Atascadero reduced the size of its training program in 1992-93 in response to budget reductions.) Clerical positions are difficult to fill, due to lack of civil service lists. There is also significant turnover in janitorial and food service positions.

New Position Growth. For 1991-92 through 1994-95, the DMH net position authority declined by 1,170 personnel years. For 1995-96 through 1998-99, net personnel year authority increased by 1,360. In 1995-96, the DMH received 337 new positions for transfer of caseload from Stockton Developmental Center to Napa and 407 positions for caseload increases at Patton. In 1996-97, 508 positions were received for caseload transfer from Camarillo Developmental Center to Metropolitan. In addition, caseload changes at individual hospitals often resulted in the addition of more than 100 positions to any one hospital. Excess vacancies occurred temporarily in positions related to caseload transfers from the developmental centers, because the staff from the centers did not transfer in the expected numbers. Also, about 60 vacant positions related to the transfer from Stockton were later eliminated, because the full caseload did not materialize.

Hiring Freezes. Although state hospitals were exempted from the statewide freeze, during 1993-94 the hospitals were requested to delay new hires for as long as possible without jeopardizing the health and safety of the inmates and staff.

Use of Vacant Position Savings. The DMH had total savings of \$2 million. However, after accounting for funding that did not materialize (see "Savings by Fund Source," below), there were real savings of \$0.8 million. The real savings included surpluses of \$9.1 million in salaries and wages and \$8.6 million in staff benefits, of which \$16.9 million was redirected to operating expenses and equipment.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$2,045	\$9,916	\$8,781	-\$16,652	\$0

The DMH reports that it routinely holds positions vacant to generate funds for underfunded operating expenses, especially for drugs, outside medical expenses, utilities and food.

Savings by Fund Source. Of the \$2 million savings, \$0.8 million was General Fund. The remaining \$1.2 million reflects unexpended federal fund authority and reimbursements that did not materialize, of which \$0.8 million was in salaries and wages and \$0.2 million was in operating expenses and equipment.

Dollars in Thousands				
Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$2,045	\$841	\$184	\$1,020	\$0

Consequences of Excess Vacancies. Since the hospitals are required to cover their posts, the DMH makes every effort to fill behind vacant permanent positions with temporary help and overtime, and generally believes that there have been no adverse consequences of excess vacancies. However, the DMH notes that there have been occasional deficiencies cited by the Joint Commission on the Accreditation of Healthcare Organizations, most recently in the area of hospital pharmacies.

Expected Future Vacancy Trends. The DMH expects no improvement in its vacancy rates, because so many of its positions are difficult to recruit and because it is adding positions for expanding programs. In addition, the recently enhanced retirement benefits will encourage higher retirement rates in the coming years, which will create vacancies and also require large lump sum payments.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES*
Director's Office	3.0
Program Compliance	6.5
Systems of Care	23.0
Long Term Care	6.5
Administration	15.5
Atascadero State Hospital:	
LOC	171.9
Non-LOC	16.6
Metropolitan State Hospital:	
LOC	126.8
Non-LOC	30.2
Napa State Hospital:	
LOC	225.4
Non-LOC	94.0
Patton State Hospital:	
LOC	58.2
Non-LOC	29.5
Vacaville Psychiatric Program:	
LOC	49.8
Non-LOC	7.0
TOTALS	863.9

* As of December 31, 1998.

EMPLOYMENT DEVELOPMENT DEPARTMENT

Recommendations

- The Employment Development Department (EDD) will have eliminated 1,329.5 of its 1998-99 excess vacancies by June 30, 2000. (See “Changes Since 1998-99,” below.) Consequently, additional reductions are not needed at this time. However, during the fall budget process, the EDD’s 1999-00 vacancy rates should be analyzed to determine if additional reductions are warranted.

Initial Findings

- The 338.5 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Most or all of the 281.9 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the EDD’s use of excess overtime has amounted to 71.7 to 281.9 vacant positions.
- By the May Revision, determine if the funding shortfalls that resulted in 385.5 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated. However, additional research is required between now and the May Revision to determine how many excess vacancies remain. The EDD eliminated some vacant positions during 1999-00 and received no new positions for several million dollars of funded BCPs. The EDD also has proposed eliminating several hundred more positions for 2000-01. It is not clear, however, that the new funding received in 1999-00 and 2000-01 is devoid of the funding shortfall problems associated with the federal funds and reimbursements that were not received during 1998-99.
- Some amount of the remaining 478 excess vacancies, and the associated funding, could potentially be eliminated. As noted in the paragraph above, additional research is required between now and the May Revision to determine how many of these excess vacancies remain.

Background

Vacancy/Salary Savings Experience. For most of the 1990s, the EDD had vacancy and salaries and wages savings rates substantially above average. In 1998-99, its excess vacancy rate was 12.4 percent and its excess salaries and wages savings rate was 7.1 percent. The EDD indicates that most of its excess vacancies were attributable to positions that were unfunded due to federal funding reductions and reimbursements that did not materialize.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	10,723.0	1,043.0	9.7%	619.7	5.8%	\$14,274	4.3%
90-91	11,018.4	792.6	7.2%	371.1	3.4%	\$5,717	1.6%
91-92	12,975.8	1,982.5	15.3%	1,538.2	11.9%	\$22,735	5.5%
92-93	13,972.5	1,329.3	9.5%	848.0	6.1%	\$10,060	2.3%
93-94	13,192.5	789.1	6.0%	360.4	2.7%	-\$11,807	-2.6%
94-95	12,881.0	872.0	6.8%	398.5	3.1%	\$4,299	0.9%
95-96	12,413.9	1,268.1	10.2%	892.0	7.2%	\$17,224	3.7%
96-97	12,427.9	2,142.1	17.2%	1,637.2	13.2%	\$33,431	7.1%
97-98	12,482.1	2,553.6	20.5%	2,052.8	16.4%	\$46,145	9.8%
98-99	11,947.4	1,938.8	16.2%	1,483.9	12.4%	\$33,689	7.1%

Data for 1995-96 through 1998-99 were adjusted to reflect current year May Revision changes. Data for 1997-98 and 1998-99 were also adjusted to reflect other significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The EDD will have eliminated 1,329.5 excess vacancies by June 30, 2000. This total includes 833.6 excess vacancies eliminated in the 1999-00 Governor's Budget and the 1999-00 May Revision, 366.7 excess vacancies proposed for elimination in the 2000-01 Governor's Budget, and 129.1 excess vacancies resulting from the Tax Engineering and Modernization (TEAM) Project.

Analysis of Vacancies and Savings. In 1998-99, the 1,483.9 excess vacancies generated \$57.9 million in savings, which were offset by \$13.2 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$11 million for excess overtime. In addition, \$21 million, equivalent to the salaries and wages of 537.5 excess vacancies, was redirected to the EDD's operating expenses and equipment budget. The net results were \$12.7 million in vacancy savings and 326 excess vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	1,483.9	\$57,889
Higher/Lower Cost of Filled Positions	-338.5	-13,204
Overtime	-281.9	-10,996
Subtotal, Salaries and Wages	863.5	\$33,689
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-537.5	-20,969
Net Adjusted Vacancies	326.0	\$12,720

Vacancies Due to Funding Shortfalls. The EDD had 385.5 PY vacancies due to shortfalls in federal funds (178.3 PYs) and reimbursements (207.2 PYs).

Hard-to-Fill Positions. The EDD reports that it has difficulty filling positions for information technology classifications, Tax Compliance Representatives, Disability Insurance Representatives and Technicians, auditors, Research Analysts and Investigators. The Department of Personnel Administration (DPA) currently has classification studies underway for auditors, investigators, and information technology classifications, and Disability Insurance Representatives recently have received a pay differential. However, the DPA reports that there are no known recruitment and retention problems for tax compliance representatives, disability insurance technicians, or research analysts. The EDD did not report the number of excess vacancies in its hard-to-fill classifications.

New Position Growth. During the first three years of the last decade, the EDD grew by nearly 3,200 personnel years (over 1,930 in 1991-92). During the last seven years, the EDD's position authority decreased by nearly 2,000 personnel years.

Hiring Freezes. In addition to the statewide freeze, the EDD imposed its own freezes in 1993-94, 1996-97 and 1997-98 due to federal funding cutbacks, shortfalls in reimbursements and fluctuating workload.

Use of Vacant Position Savings. The EDD had savings of \$86.3 million in 1998-99. After adjusting for the \$59 million shortfall in federal funds and reimbursements (see "Savings by Funding Source," below), real savings were \$27.3 million in total. There were real savings of \$21 million in salaries and wages, \$12.4 million in staff benefits and \$33.9 million in special items of expense (miscellaneous client services). There was a real shortfall of \$39.9 million in operating expenses and equipment. This shortfall was covered by the savings in salaries and wages and staff benefits, plus some of the savings from special items of expense.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$86,315	\$33,689	\$15,638	-\$35,437	\$72,425

The EDD notes that in the past it held positions vacant to generate savings for Y2K efforts, and that savings from the use of less expensive temporary help positions are periodically used for extraordinary operating expenses.

Savings by Fund Source. Of the \$86.3 million in savings, \$50.2 million reflects decreases in federal spending authority and \$8.8 million reflects reimbursements that did not materialize. This \$59 million shortfall includes \$12.7 million in salaries and wages, \$3.3 million in staff benefits, \$4.4 million in operating expenses and equipment and \$38.7 million in special items of expense. There were savings of \$27.2 million in other funds. General Fund savings were \$0.4 million.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$86,315	\$386	\$50,214	\$8,775	\$26,940

Consequences of Excess Vacancies. The EDD did not report any consequences of excess vacancies.

Expected Future Vacancy Trends. The EDD expects substantially reduced vacancy rates in future years, as it has eliminated more than 1,300 excess vacancies since 1998-99.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES [†]
10 Employment and Employment Related Services	447.0
21 Tax Collections and Benefit Payments	1,117.0
22 Tax Collections and Benefit Payments	95.1
30 Administration	2.4
40 Welfare-to-Work	-1.6*
50 Employment Training Panel Program	-3.0*
60 Job Training Partnership Act	-21.5*
TOTALS	1,635.4

[†] Based on the difference between the current year revised estimate and actual filled positions. Includes excess vacancies that resulted from positions that were eliminated subsequent to the current year revised estimate.

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

DEPARTMENT OF REHABILITATION

Recommendations

- Redirect three unfunded vacant positions to address the Department of Rehabilitation's (DOR's) staffing needs associated with grant administration and oversight of augmented federal Elderly Blind Grant funds. Re-evaluate the DOR's salary savings rate during the fall budget process.

Initial Findings

- The DOR has had a high budgeted salary savings rate since 1995-96. For 1998-99, the budgeted salary savings rate was 12.3 percent and the rate proposed for 2000-01 is 8.9 percent. Consideration should be given to eliminating 66.9 positions to reduce the DOR's budgeted salary savings rate to a more reasonable 6.0 percent.

Background

Vacancy/Salary Savings Experience. In the past eight years, the DOR has had total vacancy rates of 10-14 percent, with the rate decreasing in the last two years. Excess vacancies were usually 100-200 positions in the early 1990s, but decreased beginning in 1994-95 because the number of vacancies required for salary savings was increased. In 1998-99, DOR exceeded its personnel year authorization by 33.7 positions, resulting in an excess vacancy rate of -1.5 percent. DOR overspent its salaries and wages authorization in 1990-91, 1994-95 and 1998-99. In 1998-99, salaries and wages were overspent by \$1.3 million, resulting in an excess salaries and wages savings rate of -1.5 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	1,974.8	191.1	9.7%	98.6	5.0%	\$1,203	2.0%
90-91	1,981.2	122.4	6.2%	7.1	0.4%	-\$937	-1.4%
91-92	1,989.8	220.3	11.1%	105.0	5.3%	\$2,864	4.1%
92-93	2,012.4	240.5	12.0%	120.9	6.0%	\$1,777	2.7 %
93-94	2,129.6	310.7	14.6%	195.9	9.2%	\$3,786	5.2%
94-95	2,139.9	220.2	10.3%	-26.0	-1.2%	-\$1,935	-2.4%
95-96	2,149.4	285.2	13.3%	58.6	2.7%	\$863	1.1%
96-97	2,173.3	306.8	14.1%	66.9	3.1%	\$1,202	1.5%
97-98	2,233.6	286.2	12.8%	59.1	2.6%	\$508	0.6%
98-99	2,233.6	240.6	10.8%	-33.7	-1.5%	-\$1,301	-1.5%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the DOR filled 33.7 more positions than authorized, at a cost of \$1.3 million. The DOR had savings of \$16,000 because filled positions cost less than budgeted, and the DOR had savings of \$27,000 in its overtime blanket. The DOR notes that its over-consumption of personnel years in 1998-99 is due to the temporary help positions used for support services assistants, who provide a variety of services to the DOR's severely disabled employees. In 1998-99, the DOR used 103.5 personnel years (PYs) of temporary help, exceeding its temporary help blanket by 46.4 PYs; a total of 70.8 PYs were for support services assistants.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	-33.7	-\$1,344
Higher/Lower Cost of Filled Positions	--	16
Overtime	--	27
Subtotal, Salaries and Wages	-33.7	-\$1,301
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	-33.7	-\$1,301

Vacancies Due to Funding Shortfalls. In 1998-99, there were no vacant PYs due to funding shortfalls.

Hard-to-Fill Positions. About 920, or 42 percent, of the DOR's permanent positions are Vocational Rehabilitation Counselors, which the DOR has had difficulty filling in recent years. The DOR reported that there were 113.5 vacancies in this classification during 1998-99. However, because of the DOR's 13 percent salary savings rate, all the vacant Vocational Rehabilitation Counselor positions are attributable to salary savings and none to excess vacancies. The 2000-01 Governor's Budget includes a \$1.3 million proposal to create a deep class for these positions, which should make recruitment easier.

New Position Growth. In 1997-98, the DOR received 50 new positions (47.5 personnel years) that were filled over a two-year period, which contributed to the excess vacancies in 1997-98.

Hiring Freezes. The DOR imposed partial internal freezes for four months in 1997-98 and seven months in 1998-99.

Use of Vacant Position Savings. In 1998-99, savings of \$12.1 million in operating expenses offset the over-expenditure of salaries and wages and staff benefits, resulting in total state operations savings of \$9.3 million. In 1997-98 and 1998-99, expenditures for medical consultants were reflected as temporary help, rather than contract services (i.e., operating expenses), although the funding was budgeted as operating expenses. This shift accounts for \$843,000 (9.5 personnel years) of the redirection from operating expenses to salaries and wages. (The funding was shifted to personal services beginning in 1999-00.)

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$9,316	-\$1,301	-\$1,277	\$12,070	-\$176

Savings by Fund Source. Of the \$9.3 million in savings, \$8.1 million was attributable to federal funds and reimbursements that did not materialize, all of which is reflected as savings in operating expenses and equipment. None of the DOR's savings were General Fund, although about 33 percent of the expenditures were General Fund. Since General Fund is matched with federal funds, the DOR tries to maximize its use of federal dollars by expending all its General Fund.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$9,316	\$0	\$6,816	\$1,381	\$1,119

Consequences of Excess Vacancies. The DOR's vacancies have caused it to increase its average caseload per counselor to 96, versus an optimal level of 85. The DOR notes that counselor work has become more difficult in recent years because federal rules now require that the most severely disabled clients be served first. The DOR also notes that vacant positions forced it to stop serving clients for four months in 1999-00.

Expected Future Vacancy Trends. The DOR has recently received additional funding to fill vacant positions, which should reduce the number of vacant positions. On the other hand, the federal government is considering a requirement that counselors have master's degrees, which would make it more difficult for the DOR to recruit.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Vocational Rehabilitation Services	-42.9*
Habilitation Services	-1.4*
Support of Community Facilities	2.6
Administration	8.0
TOTALS	-33.7*

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

DEPARTMENT OF SOCIAL SERVICES

Recommendations

- Eliminate 41 of the 84.8 positions held vacant in 1998-99 to cover the increased cost of filled positions but allow the Department of Social Services (DSS) to retain the funding for the positions (as a reduction to salary savings), since this cost can be expected to continue. Redirect an additional 33 of these positions for a foster homes budget change proposal that will be submitted with the May Revision of the 2000-01 Governor's Budget.
- Eliminate the 76 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding but allow the DSS to retain the funding for the positions (and redirect it to operating expenses), since these costs can be expected to continue.
- Additional reductions are not necessary at this time. The DSS already has reduced its excess vacancies by more than 100 positions since 1998-99 by filling all the positions added in 1998-99 for enhanced licensed care facility audits and for foster care.

Initial Findings

- The 84.8 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- The 76 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- By the May Revision, determine if the funding shortfalls that resulted in 10.4 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- Consideration should be given to converting some of the DSS's 171 limited-term positions to permanent positions and giving the DSS a year to fill them. If the DSS is unable to fill the positions, they should be eliminated, together with the associated funding.

Background

Vacancy/Salary Savings Experience. The DSS experienced a variety of significant changes that caused vacancy rates to fluctuate throughout the 1990s. In the early years, vacancy rates were higher due to hiring freezes and threats of layoff. In 1994-95, the DSS exceeded its position authority because it hired staff to deal with the Northridge earthquake.

In 1995-96, vacancy rates in federally funded positions increased due to federal funding cutbacks. Excess vacancies were generally lower in later years, but increased in 1998-99 to 5.6 percent due to a large influx of new positions, some of which were subjected to federal funding restrictions. During the 1990s, the DSS eliminated 586 positions that were unfunded due to General Fund reductions. Salaries and wages savings rates fluctuated from over-expenditures of 3 percent to savings of 4.1 percent in 1998-99.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	3,956.4	597.9	15.1%	284.1	7.2%	\$4,561	3.3%
90-91	4,152.6	636.4	15.3%	287.8	6.9%	\$3,762	2.5%
91-92	4,407.0	890.1	20.2%	295.5	6.7%	-\$481	-0.3%
92-93	4,266.7	507.0	11.9%	289.3	6.8%	\$4,019	2.5%
93-94	4,370.1	440.4	10.1%	164.0	3.8%	\$2,888	1.6%
94-95	4,437.7	222.5	5.0%	-71.9	-1.6%	-\$5,865	-3.0%
95-96	4,410.8	376.9	8.5%	146.0	3.3%	\$4,951	2.5%
96-97	4,268.3	318.6	7.5%	115.0	2.7%	\$780	0.4%
97-98	4,374.9	348.4	8.0%	124.3	2.8%	\$5,345	2.7%
98-99	4,664.7	557.7	12.0%	262.7	5.6%	\$8,652	4.1%

Data for 1997-98 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The DSS has filled more than 100 positions that were vacant in 1998-99. The filled positions are in the foster care and community care licensing programs.

Analysis of Vacancies and Savings. In 1998-99, the 262.7 excess vacancies generated \$11.8 million in savings, which were offset by \$3.8 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions. The DSS saved \$0.6 million in unused overtime. Also, \$3.4 million was redirected to operating expenses and equipment. The net result was \$5.2 million in adjusted vacancy savings, which was equivalent to 101.9 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	262.7	\$11,832
Higher/Lower Cost of Filled Positions	-84.8	-3,819
Overtime	--	639
Subtotal, Salaries and Wages	177.9	\$8,652
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-76.0	-3,425
Net Adjusted Vacancies	101.9	\$5,227

The DSS reports that it is forced to hold positions vacant to meet the higher costs of filled positions, because it has more vacancies in lower-paying positions and because vacant positions are rarely filled at the bottom step.

Vacancies Due to Funding Shortfalls. The DSS had 10.4 vacant personnel years in 1998-99 due to shortfalls in federal funds and reimbursements.

Hard-to-Fill Positions. The DSS reports that it has difficulty filling positions for information technology, auditors, investigators, licensing analysts, disability evaluators, social services consultants and adoptions specialists/supervisors. The DSS also reports that it has difficulty filling positions in Los Angeles and the Bay Area and in filling limited-term positions. The DSS reports that 13.8 PYs of its excess vacancies were in its hard-to-fill classifications. However, most of these excess vacancies are in classifications for which the Department of Personnel Administration (DPA) indicates there are no known retention and recruitment problems and for which the DPA has received no request from the DSS for a formal salary or classification study.

New Position Growth. The DSS grew by a net total of 727 personnel years during the 1990s. In 1998-99, the DSS received 577 new positions. Late enactment of the budget during that year delayed its hiring of these positions.

Hiring Freezes. The DSS instituted a hiring freeze in July 1990 (before the statewide freeze that began in November 1990), and started a formal layoff process in 1991-92, which caused many employees to leave the department. In addition, hiring freezes have been imposed on the Disability Evaluation Federal Program due to restrictions on federal funding.

Use of Vacant Position Savings. The DSS had net savings of \$6.5 million in 1998-99. Savings from vacant positions totaled \$8.7 million in salaries and wages and \$1.2 million in staff benefits, which were used to offset a shortfall in operating costs of \$3.4 million.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$6,450	\$8,652	\$1,223	-\$3,425	\$0

Savings by Fund Source. Of the \$6.5 million in savings, \$4.9 million was General Fund. Amounts in other funding sources were less than \$1 million each.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$6,450	\$4,872	\$278	\$546	\$754

Consequences of Excess Vacancies. The DSS reports that excess vacancies have caused inadequate services to foster care children and youth, adoptions backlogs, delays in investigations, financial audits and legislative reports, and delays in its Child Welfare System/Case Management System.

Expected Future Vacancy Trends. The DSS believes that its vacancy rate will decrease in the future because it does not expect to receive a large influx of positions in future years and because the federal funding restrictions were temporary.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
CalWORKS	34.7
Foster Care	7.0
Refuge Cash Assistance	1.1
Food Stamps	17.8
SSI/SSP	5.0
In-Home Supportive Services	21.3
Children's Services	50.3
Special Programs	6.2
Community Care Licensing	180.1
Disability Evaluation	202.5
Services to Other Agencies	-8.1*
Administration	46.8
Disaster Relief	-7.0*
TOTALS	557.7

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

CALIFORNIA DEPARTMENT OF CORRECTIONS

Recommendations

- For the last three months, the California Department of Corrections (CDC) has been attempting to fill all its vacant custody positions. In addition, many of the vacant positions at CDC's headquarters are attributable to the CDC's pending reorganization. Now that the extent of the reorganization has been determined, the CDC is expected to begin filling its excess headquarters vacancies. In light of these changes, we recommend that only 300 positions be eliminated now. However, the CDC's excess vacancies should be re-examined during the preparation of the 2001-02 Governor's Budget.

Initial Findings

- The 1,247.2 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- About 800 of the 1,202.7 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). The CDC's over-spending of its overtime budget is a perennial problem. The CDC believes its overtime expenditures will be reduced substantially during 2000-01 because of its recent efforts to fill all post positions in the custody area. The administration may wish to wait until next year to see if the CDC's efforts have paid off. If the CDC continues to over-spend its overtime budget, position reductions can be made at that time.
- The 299.4 vacant positions for which salaries and wages were redirected to fund contract staff were budgeted to provide medical services to inmates. The positions should be retained for now and the CDC given the opportunity to fill these hard-to-fill classifications.

Background

Vacancy/Salary Savings Experience. The CDC generally experienced average to above-average vacancy rates in the 1990s. Salaries and wages savings have been below the statewide average. The greater than usual discrepancy in these rates is largely due to the CDC's heavy use of overtime in excess of its budgeted allotment.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	27,458.3	2,950.6	10.7%	1,435.8	5.2%	-\$14,373	-1.4%
90-91	29,742.0	3,221.8	10.8%	1,656.6	5.6%	-\$1,783	-0.1%
91-92	30,318.8	2,812.5	9.3%	1,570.6	5.2%	-\$14,245	-1.1%
92-93	32,361.3	4,400.1	13.6%	3,502.9	10.8%	\$8,474	0.6%
93-94	34,349.8	4,018.4	11.7%	2,558.0	7.4%	\$12,541	0.8%
94-95	36,687.9	3,663.8	10.0%	1,967.9	5.4%	-\$21,524	-1.3%
95-96	40,112.8	4,446.8	11.1%	2,656.1	6.6%	\$43,489	2.3%
96-97	42,281.3	3,302.7	7.8%	1,180.4	2.8%	\$29,499	1.5%
97-98	45,030.0	4,657.4	10.3%	3,176.8	7.1%	\$7,164	0.3%
98-99	45,911.6	4,262.9	9.3%	2,105.1	4.6%	-\$16,106	-0.7%

Data for all years (except 1989-90) have been adjusted to reflect current year May Revision changes. Data for 1997-98 and 1998-99 also reflect deficiency appropriations and other significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 2,105.1 excess vacancies generated \$98.3 million in savings, which were offset by \$58.3 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$56.2 million for excess overtime. The net result was that the CDC exceeded its salaries and wages allotment by \$16.1 million, which was equivalent to exceeding its position authority by 344.8 personnel years (PYs). The CDC also spent \$14 million on personal services contracts to cover vacancies in the health area, resulting in net adjusted over-expenditures of \$30 million and 644.2 PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	2,105.1	\$98,345
Higher/Lower Cost of Filled Positions	-1,247.2	-58,264
Overtime	-1,202.7	-56,187
Subtotal, Salaries and Wages	-344.8	-\$16,106
Vacant for Personal Services Contracts	-299.4	-13,987
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	-644.2	-\$30,093

The CDC is required to cover posted positions in the institutions, and covers vacancies in regular positions with large amounts of temporary help and overtime. The CDC reports that some regular position are held vacant to cover its excess overtime costs and the costs of temporary help (permanent intermittent employee) relief positions. Although temporary help positions generally cost less than regular positions, the average cost per filled position is still greater than the amount budgeted per position.

Vacancies Due to Funding Shortfalls. In 1998-99, the CDC had 35.1 vacant personnel years due to reimbursements that did not materialize.

Hard-to-Fill Positions. The CDC reports that it has difficulty filling positions for correctional officers, medical/health professions, information technology and education. Recruitment difficulties are attributed mostly to higher salaries in the private sector and local government, to the remote locations of some of its institutions, and to its difficult clientele. However, the CDC did not report the number of its excess vacancies in any of these classifications, and the Department of Personnel Administration has received no request from the CDC for a formal salary study of the correctional officer classifications.

New Position Growth. The CDC grew by a net total of 17,803 personnel years (PYs), or 70 percent, during the 1990s as population increased and new prisons were opened. The highest-growth years were 1995-96 and 1997-98, when 3,330 and 3,390 PYs were added. Delays in the opening of new prisons contributed to the vacancy rates in 1990-91 (Calipatria), 1991-92 (Calipatria, Delano), 1992-93 (Lancaster, North Kern), 1995-96 (Salinas Valley) and 1997-98 (emergency beds at Avenal).

Hiring Freezes. The CDC institutions were exempted from the statewide hiring freezes. However, selective freezes were imposed periodically at some institutions based on population and program changes. There was a layoff in the Parole Division in 1992. Currently, there is a freeze at departmental headquarters.

Use of Vacant Position Savings. The CDC had total savings of \$51.4 million in 1998-99. Savings in operating expenses and equipment were used to offset shortfalls in salaries and wages of \$16.1 million and staff benefits of \$24.5 million, as well as to fund personal services contracts to cover vacancies in the health and education area. Of the \$91.7 million savings in operating expenses and equipment, \$25.2 million reflects federal funds and reimbursements that did not materialize.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$51,434	-\$16,106	-\$24,491	\$91,670	\$361

Savings by Fund Source. Of the \$51.4 million in savings, \$25.6 million represents reimbursements that did not materialize. The \$23.8 million in General Fund savings includes \$11.7 million from a decrease in parolee population from the forecast level (savings due to population decreases must be reverted) and cutbacks in hiring and operating expenses. (Note: There was also a decrease in inmate population, which was recognized in the current year May Revision and removed from the authorizations of dollars and positions used to calculate the vacancy and savings rates above.)

Dollars in Thousands				
Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$51,434	\$23,108	\$1,166	\$25,607	\$1,553

Consequences of Excess Vacancies. The CDC notes that excess vacancies have adversely affected the institutions in the areas of inmate education, health care and facilities maintenance.

Expected Future Vacancy Trends. The CDC believes that its vacancies will be reduced and its personal services savings will be increased in the future. As part of its headquarters restructuring, approximately 90 positions will be eliminated and \$23 million redirected to the field to offset budget deficiencies. About 860 correctional officer positions that were being filled with permanent intermittent employees have been converted to permanent full-time employees, which should reduce excess overtime to some degree. About 30 construction and planning positions, which are funded by reimbursements, will be filled.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES*
Institution Program	1,673.8
Health Care Services Program	382.6
Community Correctional Program	259.0
Central Administration	77.2
TOTALS	2,392.6

* Based on the difference between the current year revised estimate and actual filled positions. Includes 287.5 excess vacancies that resulted from positions that were eliminated subsequent to the current year revised estimate.

CALIFORNIA YOUTH AUTHORITY

Recommendations

- The California Youth Authority (CYA) produced a current vacancy report that identified vacancies in custody and non-custody classifications. Based on that report, 66.5 positions in non-custody, non-medical areas can be eliminated.

Initial Findings

- Up to 169.4 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Unless the CYA has eliminated its excess overtime expenses, or has a plan for doing so, the 19.4 positions held vacant to cover increased overtime costs could potentially be eliminated, but the funding retained (in the overtime blanket).

Background

Vacancy/Salary Savings Experience. In the CYA, vacancy rates and salaries and wages savings rates have generally been moderate to low. The CYA has frequently exceeded its salaries and wages allotment by modest amounts. Its vacancy and salary and wages savings rates in the last two years have been below statewide averages.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	5,184.8	351.3	6.8%	191.6	3.7%	\$3,617	1.8%
90-91	5,240.0	466.5	8.9%	297.4	5.7%	\$6,998	3.1%
91-92	5,216.1	325.6	6.2%	142.6	2.7%	-\$1,621	-0.7%
92-93	5,222.9	499.9	9.6%	313.0	6.0%	\$1,092	0.5%
93-94	5,252.9	521.6	9.9%	358.7	6.8%	\$8,179	3.6%
94-95	5,394.5	500.0	9.3%	176.3	3.3%	-\$1,270	-0.5%
95-96	5,639.6	459.2	8.1%	289.3	5.1%	\$1,564	0.6%
96-97	5,613.1	413.8	7.4%	227.1	4.0%	\$5,915	2.3%
97-98	5,456.4	349.9	6.4%	71.4	1.3%	-\$2,597	-1.0%
98-99	5,406.0	432.0	8.0%	161.6	3.0%	-\$1,257	-0.5%

Data for 1997-98 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancies and Savings. In 1998-99, the 161.6 excess vacancies generated \$7.4 million in savings, which were offset by \$7.8 million for the excess cost (i.e., the cost

beyond what was budgeted) of filling authorized positions and \$0.9 million for excess overtime. The net result was that the CYA exceeded its salaries and wages allotment by \$1.3 million, which was equivalent to exceeding its position authorization by 27.2 personnel years (PYs). The CYA routinely redirects vacant position savings to personal services contracts in nursing, teaching and other areas, but was not able to provide information on the amount of the redirection that occurred in 1998-99.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	161.6	\$7,471
Higher/Lower Cost of Filled Positions	-169.4	-7,830
Overtime	-19.4	-898
Subtotal, Salaries and Wages	-27.2	-\$1,257
Vacant for Personal Services Contracts	Not Available	Not Available
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	-27.2	-\$1,257

The CYA is required to cover posted positions in the institutions, and covers vacancies in regular positions with temporary help and overtime.

Vacancies Due to Funding Shortfalls. In 1998-99, the CYA had no vacancies due to funding shortfalls.

Hard-to-Fill Positions. The CYA reports that it has difficulty filling positions in the education (particularly special education) and health fields. Teacher recruitment is most difficult in Los Angeles and San Bernardino counties because local school districts pay more for teachers than does the State. Difficulties in recruiting special education teachers reflect the general shortage of these teachers as well as the higher salaries and shorter school years in local school districts. The CYA also reports difficulty in hiring correctional officers, medical technicians and correctional counselors. However, the Department of Personnel Administration has received no request from the CYA for a formal salary study of the correctional officer, correctional counselor, or medical technician classifications, and knows of no recruitment and retention problems for these classifications. The CYA reports that it had 61 excess vacancies in its hard-to-fill classifications in 1998-99, but 24 of these are in the medical technician, correctional officer and correctional counselor classifications, leaving a balance of 37 excess vacancies in hard-to-fill classifications.

New Position Growth. The CYA grew by a net total of 111 PYs during the 1990s. In 1995-96, when population peaked, 399 PYs were added. In the last three years, net PYs have decreased by 334 to reflect population decreases. However, during this period 175 new PYs were added for education and health services to wards and for gang awareness and preventions programs for parolees.

Hiring Freezes. Although the CYA institutions were exempt from statewide hiring freezes, it imposed selected freezes on certain functions in 1991-92, 1996-97, 1997-98 and 1998-99.

Use of Vacant Position Savings. The CYA had total savings of \$1.2 million in 1998-99. There were shortfalls of \$2.3 million in salaries and wages and \$3.0 million in operating expenses and equipment, which were covered by savings of \$6.3 million in staff benefits.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$1,187	-\$2,257	\$6,392	-\$2,975	\$27

The CYA reports that it uses contract staff (i.e., operating expenses), funded by salaries and wages savings, to cover some vacancies in health and education positions. The CYA also reports that it holds non-posted positions open unless health and safety are jeopardized to generate funds for operating expenses, workers' compensation and other cost increases.

Savings by Fund Source. Of the \$1.2 million savings, \$0.6 million was General Fund, \$0.4 million represents unexpended federal fund authority and \$0.2 million is in other funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$1,187	\$581	\$411	\$0	\$195

Consequences of Excess Vacancies. According to the CYA, inadequate educational services have been a longstanding problem that has been exacerbated by excess vacancies, and the CYA currently is under court sanction for its shortcomings. Health care for wards has also suffered as a result of excess vacancies.

Expected Future Vacancy Trends. The CYA expects that it will experience continued difficulty in filling hard-to-fill classifications, and that its vacancy rate will be affected by increasing retirements in the short term due to the enhanced retirement benefits.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES[†]
Executive Office	-4.4*
Administrative Services	9.1
Institutions and Camps Branch Administration	-7.4*
Parole Services	20.5
Education Services	0.3
Special Projects [†]	-5.0*
Northern Reception	19.3
Southern Reception	40.9
Mt. Bullion Camp	-0.9*
Ben Lomond Camp	-0.7*
Pine Grove Camp	-2.0*
Washington Ridge Camp	-2.8*
Fred C. Nelles School	27.6
NYCC Complex	21.8
O.H. Close	1.1
Karl Holton	-1.9*
Dewitt Nelson	-2.4*
N.A. Chaderjian	-10.1
Heman G. Stark	28.9
El Paso	0.0
Preston	4.1
Ventura	53.2
Lottery	0.8
Bond 796	1.0
TOTALS	191.0

[†] Overstated by approximately 30 personnel years for the foster grandparent program.

* The department's actual personnel years exceeded the budgeted number of personnel years for these programs.

CALIFORNIA DEPARTMENT OF EDUCATION

Recommendations

- We are not recommending position reductions at this time. However, the Department of Finance should re-examine the California Department of Education's (CDE's) vacant positions during the fall budget process.

Background

Vacancy/Salary Savings Experience. Over the ten-year period, the CDE's total vacancy rate averaged 14.0 percent and its excess vacancy rate averaged 7.8 percent. As shown in the table below, the CDE under-consumed its authorized positions and under-spent its salary and wages authorization in each of the past ten years. Most recently, the CDE under-spent its salary and wages authorization by \$8.6 million, or by 7.1 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	2,829.3	555.1	19.6%	391.0	13.8%	\$8,630	8.9%
90-91	2,587.6	318.5	12.3%	196.1	7.6%	\$3,294	3.4%
91-92	2,507.4	395.0	15.8%	173.0	6.9%	\$3,752	3.9%
92-93	2,434.6	454.7	18.7%	303.6	12.5%	\$11,357	12.3%
93-94	2,391.1	308.5	12.9%	207.9	8.7%	\$4,789	5.1%
94-95	2,377.7	275.8	11.6%	121.5	5.1%	\$4,843	4.8%
95-96	2,391.9	301.2	12.6%	137.6	5.8%	\$5,275	5.2%
96-97	2,415.2	289.5	12.0%	139.3	5.8%	\$6,187	5.9%
97-98	2,481.0	272.7	11.0%	122.9	5.0%	\$5,639	5.2%
98-99	2,554.3	337.1	13.2%	180.9	7.1%	\$8,583	7.6%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancy Savings. In 1998-99, the 180.9 excess vacancies generated \$8.1 million in savings, which were offset by \$1.0 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.5 million for excess overtime. Also, 66.1 PYs were vacant to fund personal service contracts for unfilled permanent positions. The net salaries and wages savings were \$4.2 million, which was equivalent to 104.3 personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	180.9	\$8,064
Higher/Lower Cost of Filled Positions	--	988
Overtime	-10.5	-469
Subtotal, Salaries and Wages	170.4	\$8,583
Vacant for Personal Services Contracts	-66.1	-4,376
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	104.3	\$4,207

Vacancies Due to Funding Shortfalls. The CDE had 7.5 vacant PYs due to funding shortfalls (in donated food funds).

Hard-to-Fill Positions. The CDE reported difficulty filling teaching vacancies at the State Special Schools and difficulty recruiting and retaining special education consultants, subject matter specialists, bilingual consultants and information technology positions. The CDE provided data showing an average of 144.5 vacancies in these classifications during the last two years. However, the Department of Personnel Administration (DPA) is not aware of any recruitment and retention problems concerning the CDE's consultant classifications, and the CDE has submitted no requests to the DPA for formal analysis. Consequently, only 75.5 of the CDE's excess vacancies have been verified as being in classifications that are difficult to fill because of salary differentials between State salaries and salaries paid by non-State employers.

New Position Growth. Between 1989-90 and 1994-95, the CDE's authorized positions decreased by 451.6 PYs, or by 16 percent. In the following four years, the CDE's authorized positions increased by 176.6 PYs, or by 7.4 percent.

Hiring Freezes. Externally-imposed statewide hiring freezes were in effect through the mid-nineties. However, when the external freezes were lifted in the mid-nineties, the CDE continued with an internal hiring freeze until 1997-98 due to revenue shortfalls, staff redirections and unanticipated liabilities. After the internal freeze was lifted, in 1998-99, \$8 million was vetoed from the CDE's budget, causing another internal freeze.

Use of Vacant Position Savings. The CDE had savings of \$27.1 million in 1998-99. After accounting for federal funds and reimbursements that did not materialize, real savings were \$10.5 million. The real savings include \$8.6 million in salaries and wages and \$10.3 million in staff benefits. There was real funding redirected to the CDE's operating expenses and equipment budget totaling \$8.2 million, of which \$4.4 million was spent on personal services contracts. The remaining amount, which was related to the veto¹, could have been covered by the savings in staff benefits or salaries and wages.

¹ Of the \$8 million vetoed, \$5 million was reflected in the 1998-99 mid-year revised estimate as a reduction in operating expenses, and \$3 million was reflected as funding to be restored in pending legislation, which was enacted

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$27,019	\$8,583	\$10,263	\$8,173	\$0

Savings by Fund Source. Of the \$27.1 million in savings, \$3.1 million were General Fund savings and \$4.4 million were savings in other funds. Of the \$15.8 million in federal fund savings, about \$13.3 million reflects funds that did not materialize (budgeted in operating expenses and equipment) and \$2.5 million reflects savings in personal services due to the hiring freeze. Of the \$3.7 million savings in reimbursements, \$3.3 million was funding that did not materialize (budgeted in operating expenses and equipment) and \$0.4 million was savings in personal services due to the hiring freeze.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$27,019	\$3,128	\$15,775	\$3,681	\$4,435

Consequences of Excess Vacancies. Despite its excess vacancy rate, the CDE reported that it continued to fulfill its basic responsibilities, implement new initiatives and generally met programmatic requirements. Nonetheless, the CDE reported that the quality and quantity of its technical assistance to the schools declined, implementation of new initiatives was often delayed and the lack of program oversight caused an increased number of school district audit Initial Findings.

Expected Future Vacancy Trends. The CDE expects to lower its vacancy rates in the future as a result the improved salaries for State employees.

at the end of the fiscal year. The CDE was uncertain of the outcome of the legislation, and achieved \$8 million of savings. According to the CDE, most of the savings were achieved in personal services (only about \$1 million was saved in operating expenses), some of which were then shifted to operating expenses to cover the shortfall.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES*
Executive Branch	5.0
External Affairs Branch	1.0
Accountability Branch	18.0
Legal and Audits Branch	9.0
Child, Youth & Family Services Branch	48.5
Curriculum & Instruction Leadership Branch	31.0
Finance, Technical & Administrative Branch	48.5
Education Equity, Access & Support Branch	20.5
California School for the Blind, Fremont	17.0
Diagnostic Center, Central California	6.0
Diagnostic Center, Northern California	6.0
Diagnostic Center, Southern California	6.0
California School for the Deaf, Fremont	39.4
California School for the Deaf, Riverside	23.2
TOTAL	279.1

* Vacancies as of June 30, 1999. based on data from the State Controller's Office.

DEPARTMENT OF INDUSTRIAL RELATIONS

Recommendations

- Eliminate the 20.4 positions held vacant in 1998-99 to cover the increased cost of filled positions and 10.6 of the positions held vacant to cover shortfalls in operating expenses and equipment funding, but allow the Department of Industrial Relations (DIR) to retain the funding for the positions (part as a reduction to salary savings and part as operating expenses and equipment), since these costs can be expected to continue.
- Re-examine the DIR's vacancies during the fall budget process to determine if additional reductions should be made. The DIR believes it has reduced its excess vacancies by more than 70 positions since 1998-99 and already has proposed eliminating another 13.2 of its excess vacancies as part of the 2000-01 Governor's Budget. Moreover, the DIR believes it is important to fill vacant positions in the Divisions of Labor Standards Enforcement and Occupational Safety and Health and will make an effort to do so during the next six months.

Initial Findings

- The 20.4 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Some of the 6.1 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DIR's use of excess overtime has amounted to 1.7—6.1 vacant positions, averaging 3.2 vacant positions per year.
- The 86.5 positions held vacant in 1998-99 to cover shortfalls in operating expenses and equipment funding could potentially be eliminated but the funding should be retained (and redirected to operating expenses), since these costs can be expected to continue.
- By the May Revision, determine if the funding shortfalls that resulted in 6.8 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- The DIR should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 70 excess vacancies in 1998-99.
- By the May Revision, consideration should be given to eliminating some of the DIR's remaining 17.6 excess vacancies and the associated funding.

Background

Vacancy/Salary Savings Experience. As shown in the table below, the DIR has experienced high total vacancy and excess vacancy rates. Over the ten-year period, the DIR's total vacancy rate averaged 15.9 percent and the excess vacancy rate averaged 9.9 percent. These data show that DIR under-consumed its net authorized positions and under-spent its net authorized salaries and wages in each of the past ten years. For 1998-99, the DIR under-consumed its position authorization by 207.4 PYs (or 7.7 percent) and under-spent its salary and wages authorization by \$8.3 million, or by 6.7 percent.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	2,553.0	482.2	18.9%	273.7	10.7%	\$7,315	7.8%
90-91	2,793.5	559.1	20.0%	338.0	12.1%	\$10,221	9.4%
91-92	2,638.7	369.4	14.0%	158.3	6.0%	\$2,916	2.8%
92-93	2,466.3	351.0	14.2%	227.7	9.2%	\$4,373	4.5%
93-94	2,676.5	521.9	19.5%	388.1	14.5%	\$9,140	8.3%
94-95	2,895.1	553.4	19.1%	408.6	14.1%	\$15,710	12.4%
95-96	2,776.5	422.2	15.2%	283.4	10.2%	\$10,215	8.2%
96-97	2,629.5	324.5	12.3%	193.0	7.3%	\$6,194	5.2%
97-98	2,652.0	326.4	12.3%	193.8	7.3%	\$7,126	5.9%
98-99	2,678.6	350.6	13.1%	207.4	7.7%	\$8,340	6.7%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. The Governor's Budget for 2000-01 proposes to eliminate 13.2 excess vacancies as of June 30, 2000, due to lack of workload. The excess vacancies include 6.6 PYs in the self-insurance program (the positions were redirected to information services), 3.8 PYs in the rehabilitation component of the workers' compensation program, and 2.8 PYs in accounting.

Analysis of Vacancy Savings. In 1998-99, the 207.4 excess vacancies generated \$9.6 million in savings, which were offset by \$1.0 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.3 million for excess overtime. Also, the excess salaries and wages resulting from 86.5 vacant positions, equal to \$4 million, was redirected to the DIR's operating expenses and equipment budget. The net result is savings in salaries and wages of \$4.4 million, which is equivalent to 94.4 PYs.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	207.4	\$9,565
Higher/Lower Cost of Filled Positions	-20.4	-942
Overtime	-6.1	-283
Subtotal, Salaries and Wages	180.9	\$8,340
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	-86.5	-3,990
Net Adjusted Vacancies	94.4	\$4,350

Vacancies Due to Funding Shortfalls. The DIR reports that 5.7 PYs were vacant because of special funds that did not materialize.

Hard-to-Fill Positions. The DIR reported that because the DIR is headquartered in San Francisco, where State salaries are not competitive with local salaries, it has difficulty recruiting and retaining information technology staff, Legal Secretaries, Conciliators, Industrial Relations Counsels, and Transactions and Classification staff. The DIR noted that the Legal Secretaries, Industrial Relation Counsel, Transactions and Classification staff account for 13 percent of the San Francisco staff. Data submitted by the DIR indicate that about 70 of its excess vacancies were in hard-to-fill classifications during 1998-99.

New Position Growth. The DIR has experienced varied increases and decreases in authorized positions over the ten-year period. Although the overall growth from 1989-90 to 1998-99 was 188.9 net authorized positions, the DIR had a high of 2,750.3 net authorized positions in 1994-95 before declining to its 1998-99 level of 2,533.4 positions. The DIR's largest augmentation occurred in 1994-95, when 229.5 new positions and \$16 million were added to the DIR's budget to implement the 1993 Worker's Compensation Reform statutes. However, the Legislature required the DIR to achieve a 30 percent salary savings on these new positions.

Hiring Freezes. In addition to the effects of the statewide hiring freezes of the 1990s, the DIR's Division of Occupation Safety and Health (DOSH) was affected by the late passage of the 1996 federal budget. Thirty-seven percent of the DOSH's proposed 1995-96 budget was from federal funds. Congress passed several continuing resolutions authorizing federal funds each month from October 1995 to April 1996. Each of the early resolutions reflected cuts amounting to 10 to 15 percent. Although the federal budget was ultimately passed and the DOSH hiring restrictions were lifted, the DIR reduced the DOSH's budget allocation to reflect the actions taken in the continuing resolutions.

Use of Vacant Position Savings. The DIR had savings of \$4.1 million in 1998-99. There was a shortfall in staff benefits (\$1 million) and \$4 million was redirected to operating the DIR's expenses and equipment budget. Part of the shortfall in benefits and part of the redirection to OE&E may have been covered by savings from special items of expense, but the greatest portions were covered by savings from vacant positions.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$4,097	\$8,340	-\$961	-\$3,990	\$708

Savings by Fund Source. The DIR's savings were primarily in other funds. There were only \$330,000 in General Fund savings.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$4,097	\$330	\$79	\$0	\$3,688

Consequences of Excess Vacancies. The DIR reported that the revenues intended for the Managed Care Program, created through the 1993 Worker's Compensation Reform, did not materialize; therefore, the authorized positions remained vacant. In addition, the Targeted Inspection and Consultation Program experienced a lapse in statutory authority as well as a change in the assessment methodology. As a result, program requirements were not met.

Expected Future Vacancy Trends. The DIR anticipates that future salary savings will continue to remain above the five percent standard unless policies regarding the funding of merit salary adjustments, price increases and collectively-bargained pay differential are changed.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES
Office of Director	4.4
Administrative Services	17.4
Self-Insurance Plan	7.0
Division of Conciliation-Mediation	3.2
Workers' Comp. Appeals Board	3.8
Industrial Medical Council	11.0
Commission on Health & Safety and Workers' Comp	0.0
Occupational Safety & Health	61.6
Labor Standards Enforcement	23.2
Workers' Compensation	61.3
Apprenticeship Standards	11.8
Labor Statistics and Research	6.4
Occupational Safety & Health Appeals Board	2.4
Occupational Safety & Health Standards Board	0.9
TOTAL	214.4

DEPARTMENT OF FOOD AND AGRICULTURE

Recommendations

- Eliminate 50 of the positions held vacant in 1998-99 to cover the increased cost of filled positions but allow the Department of Food and Agriculture (DFA) to retain the funding for the positions (as a reduction to salary savings), since this cost can be expected to continue. Between now and the fall, the DFA should evaluate its vacancies to determine where additional reductions can be made.
- The DFA has already eliminated 83.1 excess vacancies (see “Changes Since 1998-99,” below).

Initial Findings

- The 108.8 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Some of the 26.3 positions held vacant to cover increased overtime possibly can be eliminated, with the funding retained (in the overtime blanket). However, during the two years prior to 1998-99, the DFA’s use of excess overtime amounted to less than 2 vacant positions. Before eliminating more than 2.0 positions based on the DFA’s 1998-99 experience, the administration should re-evaluate the DFA’s positions during the fall budget process to determine if the situation in 1999-00 is similar to that of 1998-99.
- By the May Revision, determine if the funding shortfalls that resulted in 18.3 excess vacancies were temporary or recurring. To the extent that they are recurring, the positions can be eliminated.
- Eliminate all excess vacancies and the associated funding attributable to continuous appropriations that were not used. During 1998-99, positions funded from continuous appropriations accounted for 40.6 excess vacancies.

Background

Vacancy/Salary Savings Experience. The DFA operates in a highly unpredictable environment affected by the weather and pest infestations. Large fluctuations in staffing needs are the norm, and for this reason the DFA has a large number of positions (35 percent of the total) available as needed from continuously appropriated funds. In addition, the DFA has a large pool of temporary help (29 percent of the total), funded from both the budget act

and continuous appropriations. In the early 1990s, vacancy and salary and wages savings tended to be low. In recent years, both rates have tended to be high.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	2,317.0	135.2	5.8%	-4.8	-0.2%	\$116	0.2%
90-91	2,365.4	248.5	10.5%	102.4	4.3%	\$4,345	5.6%
91-92	1,775.7	140.9	7.9%	19.8	1.1%	\$892	1.5%
92-93	1,752.7	80.4	4.6%	-7.6	-0.4%	\$922	1.6%
93-94	1,749.0	-69.8	-4.0%	-161.6	-9.2%	\$1,753	2.7%
94-95	2,176.2	435.3	20.0%	346.0	15.9%	\$6,656	9.3%
95-96	2,164.7	391.7	18.1%	302.4	14.0%	\$6,127	8.6%
96-97	1,847.4	253.2	13.7%	166.6	9.0%	\$3,710	5.7%
97-98	1,873.6	332.6	17.8%	245.2	13.1%	\$4,087	6.2%
98-99	1,978.3	353.7	17.9%	264.5	13.4%	\$4,517	6.4%

Data for 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Changes Since 1998-99. Of the 264.5 excess vacancies in 1998-99, the DFA has eliminated 83.1, including 26.3 as 1999-00 current year adjustments and 56.8 in approved budget change proposals in the 2000-01 Governor's Budget. These excess vacancies included 68.8 PYs in temporary help, 11.5 PYs in chemical labs, 1.9 PYs in public awareness and 0.9 PYs in dairy marketing.

Analysis of Vacancies and Savings. In 1998-99, the 264.5 excess vacancies generated \$9.2 million in savings, which were offset by \$3.8 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.9 million for excess overtime. The net salaries and wages savings were \$4.5 million, which was equivalent to 129.4 vacant personnel years. (Excess vacancies in continuously appropriated positions were 40.6, or 15 percent of the excess vacancies.)

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	264.5	\$9,231
Higher/Lower Cost of Filled Positions	-108.8	-3,797
Overtime	-26.3	-917
Subtotal, Salaries and Wages	129.4	\$4,517
Vacant for Personal Services Contracts	--	--
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	129.4	\$4,517

Vacancies Due to Funding Shortfalls. The DFA had 18.3 PYs vacant in 1998-99 due to shortfalls in federal funds and reimbursements.

Hard-to-Fill Positions. In recent years, the DFA has had difficulty hiring positions in nine scientific and specialist classifications due to competition with other employers and to remote job sites. The DFA has also had difficulty filling positions in information technology classifications. In addition, the DFA has many programs that are established for a limited number of years, some of which are subsequently reauthorized. As the sunset dates for these programs approach, many employees leave the department, which increases the vacancy rate. The DFA reports that it had 9.6 excess vacancies in its hard-to-fill classifications. However, most of these excess vacancies are in classifications for which the Department of Personnel Administration (DPA) indicates there are no known retention and recruitment problems and for which the DPA has received no request from the DFA for a formal salary or classification study.

New Position Growth. The DFA's position authority decreased by net total of 399 personnel years (PYs) during the 1990s. This change includes a decrease of 565 PYs in 1991-92 when positions were shifted to the Department of Pesticide Regulation. There was an increase of 430 PYs in 1994-95, and many of the new programs initiated that year had a delayed start.

Hiring Freezes. The DFA did not impose any internal hiring freezes.

Use of Vacant Position Savings. The DFA had total savings of \$7 million in 1998-99. Salaries and wages savings were \$4.5 million, including about \$0.8 million in federal funds and reimbursements that did not materialize. Salaries and wages savings do not appear to have covered shortfalls in other areas. The DFA had a shortfall of \$0.5 million in staff benefits, but this shortfall could have been covered by savings in operating expenses and equipment.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$6,955	\$4,517	-\$511	\$2,478	\$471

Savings by Fund Source. The DFA's expenditures were \$7 million less than estimated. All but \$0.9 million (about 1 percent) of the DFA's General Fund appropriation was unspent. About \$3.6 million in other funds were unspent, mostly in continuous appropriations. The DFA reports that, given significant fluctuations in reimbursements, the amount of reimbursements realized is often less than the amount budgeted.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$6,955	\$948	\$1,251	\$1,137	\$3,619

Consequences of Excess Vacancies. The DFA did not report any adverse consequences of excess vacancies.

Expected Future Vacancy Trends. The DFA believes that recent salary increases, which were substantial for many classifications (e.g., 9-12 percent), will improve its ability to recruit and retain employees. However, due to the seasonal and unpredictable nature of the agriculture industry, the DFA expects that continued variations in vacancy rates will occur. The DFA may eliminate some unfunded positions to reduce the appearance of excess vacancies.

1998-99 Vacancies by Program Area.

PROGRAM	EXCESS VACANCIES*
Executive and Administration	7.9
Plant Industry	59.8
Animal Industry	22.3
Marketing Services	0.7
Inspection Services	16.5
Measurement Standards	8.4
Fairs and Expositions	17.7
TOTALS	133.3

* Excludes vacant positions funded from continuous appropriations.

DEPARTMENT OF VETERANS AFFAIRS

Recommendations

- In light of problems the Department of Veterans Affairs (DVA) is having recruiting nurses and other employees to staff its veterans homes, do not eliminate any positions at this time, but re-evaluate the DVA's excess vacancies during the fall budget process.

Initial Findings

- The 8.5 positions held vacant in 1998-99 to cover the increased cost of filled positions could potentially be eliminated but the funding should be retained (as a reduction to salary savings), since this cost can be expected to continue.
- Most or all of the 16.5 positions held vacant to cover increased overtime could potentially be eliminated, but the funding retained (in the overtime blanket). Over the past four years, the DVA's use of excess overtime has amounted to 4.5—28.0 vacant positions, averaging 15 vacant positions per year.
- By the May Revision, determine if the redirection of 2.2 positions to contract staff is recurring or temporary. If recurring, the positions can be eliminated and the funding redirected to operating expenses.
- The DVA should be given an opportunity during 2000-01 to fill positions in the hard-to-fill classifications, given recent salary increases. These positions accounted for 46.4 excess vacancies in 1998-99.

Background

Vacancy/Salary Savings Experience. In the past ten years, beginning 1989-90, the DVA has experienced a total vacancy rate that averaged 8.2 percent and an excess vacancy rate that averaged 3.5 percent. As shown in the table below, the 1998-99 rates are the highest of the ten-year period. The table also shows that, with the exception of 1994-95, the DVA consistently under-consumed its authorized positions and under-spent its salaries and wages authorization. In 1998-99, the DVA had a 5.6 percent excess vacancy rate and a 3.9 percent excess salary and wages savings rate.

Year	Authorized Positions	Total Vacancies	Total Vacancy Rate	Excess Vacancies	Excess Vacancy Rate	Excess Salaries and Wages Savings (\$1,000s)	Excess Salaries and Wages Savings Rate
89-90	1,338.0	88.4	6.6%	34.9	2.6%	\$982	2.5%
90-91	1,334.0	94.0	7.0%	37.3	2.8%	\$887	2.1%
91-92	1,281.0	93.8	7.3%	33.4	2.6%	\$1,045	2.5%
92-93	1,147.7	95.5	8.3%	42.0	3.7%	\$1,414	3.8%
93-94	1,175.8	95.1	8.1%	40.3	3.4%	\$1,289	3.3%
94-95	1,181.5	73.4	6.2%	2.6	0.2%	-\$360	-0.9%
95-96	1,264.3	125.7	9.9%	66.5	5.3%	\$1,887	4.1%
96-97	1,420.5	137.7	9.7%	70.2	4.9%	\$759	1.5%
97-98	1,491.5	131.2	8.8%	56.8	3.8%	\$1,033	2.0%
98-99	1,517.6	162.4	10.7%	85.2	5.6%	\$2,138	3.9%

Data for 1997-1998 and 1998-99 have been adjusted to reflect significant changes subsequent to the mid-year estimate.

Analysis of Vacancy Savings. In 1998-99, the 85.2 excess vacancies generated \$3 million in savings, which were offset by \$0.3 million for the excess cost (i.e., the cost beyond what was budgeted) of filling authorized positions and \$0.6 million for excess overtime. Also 2.2 PYs were vacant to cover the cost of personal services contracts. The net salaries and wages savings were \$2.0 million, which was equivalent to 58 vacant personnel years.

	Personnel Years or Equivalents	Dollars (\$1,000s)
Excess Vacant Positions	85.2	\$3,024
Higher/Lower Cost of Filled Positions	-8.5	-300
Overtime	-16.5	-586
Subtotal, Salaries and Wages	60.2	\$2,138
Vacant for Personal Services Contracts	-2.2	-159
Vacant to Cover OE&E Costs	--	--
Net Adjusted Vacancies	58.0	\$1,979

Vacancies Due to Funding Shortfalls. There were no PY vacancies due to funding shortfalls.

Hard-to-Fill Positions. The DVA reported that Registered Nurse (RN) positions have been difficult to fill because of salary differentials, the remote locations of some veterans' homes and the limited pool of prospective employees. The DVA has requested recruitment and retention differentials for RNs and LVNs from the Department of Personnel Administration. The DVA reported that RN positions make up 11 percent of its total positions at the Barstow Home and account for 22 percent of the home's vacancies. In total, the nursing classifications accounted for 46.4 excess vacancies during 1998-99.

New Position Growth. The DVA grew by 144.1 authorized positions (or 11.2 percent) during the ten-year period, with the growth primarily due to the opening of the veterans' home in Barstow in 1995-96. However, between 1991-92 and 1992-93, the DVA eliminated 196.8 positions.

Hiring Freezes. The DVA participated in the statewide hiring freezes from 1991 to 1996. In addition, a three-month internal freeze was imposed in 1998-99 to ascertain staffing needs and to manage expenditures. Positions impacting level of care at the veterans' homes were exempted from the freeze.

Use of Vacant Position Savings. The DVA had savings of \$2.4 million in 1998-99. There were savings of \$2.1 million in salaries and wages and \$1.1 million in staff benefits. The DVA redirected \$953,000 of savings in its personal services budget to its operating expenses and equipment budget; \$0.2 million of that amount was for personal services contracts. The remaining shortfall could have been covered by savings in staff benefits or salaries and wages.

Dollars in Thousands

Total Savings	Salaries and Wages	Staff Benefits	Operating Expenses & Equipment	Special Items of Expense & Other
\$2,385	\$2,138	\$1,139	-\$953	\$62

Savings by Fund Source. Of the \$2.4 million in savings, \$2.3 million was in the General Fund and \$0.1 million in other funds.

Dollars in Thousands

Total Savings	General Fund	Federal Funds	Reimbursements	Other Funds
\$2,385	\$2,287	\$0	\$0	\$98

Consequences of Excess Vacancies. The DVA reported that excess salary savings, if any, are generated by nursing staff vacancies and are offset by overtime and OE&E costs through increased usage of the nursing registry contracts. Consequently, there are no programmatic consequences associated with the excess vacancies.

Expected Future Vacancy Trends. The DVA reported that, through its recruitment and retention process, it has taken steps to ensure that qualified personnel will be hired and retained. Consequently, it expects its vacancy rate to decline in the future.

1998-99 Vacancies by Program Area.

PROGRAM	TOTAL VACANCIES
Farm and Home Loans to Veterans	24.7
Veterans Claims and Rights	0.4
Care of Sick and Disabled Veterans	124.8
Home Start-up Costs	0
Farm and Home Loans to National Guard Members	0
California Veterans Memorial Registry	0
General Administration	0.9
TOTAL	150.8

